São Martinho

Individual and consolidated financial statements
March 31, 2015
with independent auditor's report

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS).

Independent auditor's report on financial statements

The Shareholders, Board of Directors and Officers of
São Martinho S.A.
Pradópolis - SP

Introduction

We have audited the accompanying individual and consolidated financial statement of São Martinho S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as of March 31, 2015, the related statements of operations and comprehensive income, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of São Martinho S.A. as at March 31, 2015, and its individual and consolidated financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Emphasis of matter

Real estate transactions

As described in Note 25, from year ended March 31,2015, the Company began to conduct real estate transactions, which have specific accounting practices in Brazil. Therefore, specifically in relation to real estate transactions, the Company adopted International Financial Reporting Standards (IFRS) applicable to real estate companies in Brazil, edited by the Accounting Pronouncements Committee - CPC, approved by the Brazilian Securities Commission (CVM) and by the Brazilian Federal Accounting Council (CFC), which considers OCPC01 and OCPC04 - Application of Technical Interpretation ICPC02 to the Brazilian Real Estate Development Entities, which deals with the revenue recognition and related costs and expenses resulting from real estate transactions during the course of the work (percentage of completion method - POC). Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We also audited the individual and consolidated statements of value added for the year ended March 31, 2015, prepared under the responsibility of Company's management, whose presentation is required by the standards issued by the Brazilian Securities Commission (CVM) for publicly held companies and considered supplementary information under IFRS, whereby no statement of value added presentation is required. These statements were submitted to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Audit of the correspondent financial information from previous year

The accounting correspondent information, related to year ended March 31, 2014, presented for comparison purposes, were audited by other independent auditors that issued an unqualified audit report in June 16, 2014.

Campinas, June 22, 2015.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6

José Antonio de A. Navarrete
Accountant CRC 1SP198698/O-4

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A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Balance sheet at March 31, 2015 and 2014

In thousands of reais

ASSETS	Note	Company 2015	Company 2014	Consolidated 2015	Consolidated 2014
CURRENT ASSETS					
Cash and cash equivalents	5	989,690	542,917	1,020,112	551,359
Trade accounts receivable	6	141,601	59,800	156,317	72,106
Derivative financial instruments	22	221,797	33,553	221,797	33,553
Inventories	7	167,121	90,319	177,443	99,658
Taxes recoverable	8	102,213	63,905	102,821	64,367
Income and social contribution taxes	19	64,278	33,473	64,633	34,237
Dividends receivable		-	232	-	232
Other assets		6,507	7,141	6,476	7,145
TOTAL CURRENT ASSETS		1,693,207	831,340	1,749,599	862,657
NONCURRENT ASSETS					
Financial investments		478	-	5,723	-
Inventories	7	49,607	25,790	49,607	25,790
Transactions with related parties	9	1,280	1,926	34	1,925
Trade accounts receivable	6	561	1,592	8,049	1,592
Receivables from Copersucar		1,669	1,361	1,669	1,361
Taxes recoverable	8	75,712	67,942	75,860	68,201
Judicial deposits	21	26,587	31,969	27,927	31,969
Other assets		518	120	518	120
		156,412	130,700	169,387	130,958
Investments	10	2,242,251	1,371,826	429,780	537,764
Biological assets	11	936,241	596,309	936,241	596,309
Property, plant and equipment	12	1,676,831	1,528,097	3,383,376	2,717,791
Intangible assets	13	396,280	192,057	500,541	192,917
		5,251,603	3,688,289	5,249,938	4,044,781
TOTAL NONCURRENT ASSETS		5,408,015	3,818,989	5,419,325	4,175,739
TOTAL ASSETS		7,101,222	4,650,329	7,168,924	5,038,396

LIABILITIES AND EQUITY	Note	Company 2015	Company 2014	Consolidated 2015	Consolidated 2014
CURRENT LIABILITIES					
Borrowings	14	868,879	436,671	872,419	439,644
Derivative financial instruments	22	232,711	56,398	232,711	56,398
Trade accounts payable	15	101,866	66,862	95,476	64,429
Payables to Copersucar	16	2,040	2,040	2,040	2,040
Salaries and social charges		83,942	58,847	84,373	58,847
Taxes payable		11,793	10,583	13,235	11,040
Income and social contribution taxes	19	725	-	1,511	611
Dividends payable	17	67,939	32,063	67,939	32,063
Advances from customers		4,462	883	3,197	883
Acquisition of investments	31	17,507	10,725	17,507	10,725
Other liabilities		23,225	17,289	29,484	17,290
TOTAL CURRENT LIABILITIES		1,415,089	692,361	1,419,892	693,970
NONCURRENT LIABILITIES					
Borrowings	14	2,347,783	1,132,312	2,367,660	1,151,177
Payables to Copersucar	16	279,584	206,014	279,584	206,014
Taxes in installments		16,267	46,318	16,267	46,318
Deferred income and social contribution taxes	19	282,312	440,717	323,811	807,880
Provision for contingencies	21	54,360	56,649	55,430	56,649
Acquisition of investments	31	78,815	-	78,815	-
Other liabilities		10,927	6	11,380	436
TOTAL NONCURRENT LIABILITIES		3,070,048	1,882,016	3,132,947	2,268,474
EQUITY					
Capital social	17	812,992	737,200	812,992	737,200
Capital reserve		9,119	-	9,119	-
Treasury shares		(7,375)	(11,839)	(7,375)	(11,839)
Stock options granted		5,079	3,605	5,079	3,605
Equity adjustments		1,405,708	1,116,709	1,405,708	1,116,709
Income reserves		390,562	230,277	390,562	230,277
TOTAL EQUITY		2,616,085	2,075,952	2,616,085	2,075,952
TOTAL LIABILITIES AND EQUITY		7,101,222	4,650,329	7,168,924	5,038,396

See accompanying notes.

São Martinho

Income statement
Years ended March 31, 2015 and 2014
In thousands of reais

	Note	Company		Consolidated	
		2015	2014	2015	2014
Revenues	25	1,721,601	1,498,007	1,916,044	1,533,675
Cost of sales	26	(1,353,991)	(1,113,811)	(1,370,538)	(1,089,056)
Gross profit		367,610	384,196	545,506	444,619
Operating income (expenses)					
Selling expenses	26	(79,721)	(73,629)	(85,749)	(73,893)
General and administrative expenses	26	(135,776)	(112,810)	(144,447)	(113,553)
Equity pickup	10	190,809	47,175	32,085	(16,444)
Other income, net	27	98,720	2,523	108,005	3,105
		74,032	(136,741)	(90,106)	(200,785)
Operating income		441,642	247,455	455,400	243,834
Financial income (expenses), net	28				
Financial income		73,171	30,815	84,825	34,971
Financial expenses		(215,460)	(109,090)	(227,139)	(110,081)
Monetary and exchange variations, net		(1,119)	33,451	(5,420)	33,451
Derivatives		9,636	(13,614)	6,172	(13,614)
		(133,772)	(58,438)	(141,562)	(55,273)
Pretax income		307,870	189,017	313,838	188,561
Income and social contribution taxes	19(b)				
Current		(12,383)	(5,107)	(19,953)	(8,918)
Deferred		(9,429)	(48,909)	(5,568)	(44,642)
Net income for the year		286,058	135,001	288,317	135,001
Attributable to:					
Controlling shareholders				286,058	135,001
Noncontrolling shareholders				2,259	-
				288,317	135,001
Earnings per share (in reais)	29			2.5412	1.2028
Diluted earnings per share (in reais)	29			2.5346	1.2002

See accompanying notes.

São Martinho

Statement of comprehensive income

Years ended March 31, 2015 and 2014

In thousands of reais

	Company		Consolidated	
	2015	2014	2015	2014
Net income for the year	286,058	135,001	288,317	135,001
Items that will be subsequently reclassified to profit or loss				
Derivative financial instruments:				
Commodity derivatives - Futures, options and forwards	217,525	(16,650)	217,525	(16,650)
Foreign exchange derivatives - Options/ NDFs	(130,874)	1,036	(130,874)	1,036
Foreign exchange variations on borrowings - ACCs/PPEs	(395,270)	(121,439)	(395,270)	(121,439)
Swap contracts	1,065	(2,058)	1,065	(2,058)
Deferred taxes on the above items	94,751	47,297	94,751	47,297
Interest in the comprehensive income (loss) of jointly controlled subsidiaries	-	(8,191)	-	(8,191)
	(212,803)	(100,005)	(212,803)	(100,005)
Comprehensive income for the year	73,255	34,996	75,514	34,996

See accompanying notes.

São Martinho

Statement of changes in equity
Years ended March 31, 2014 and 2015
In thousands of reais

		Attributable to controlling shareholders															
						Equity adjustments											
						Deemed cost		Hedge accounting		Income reserves							
	Note	Capital	Capital reserve	Treasury shares	Stock options granted	Own	Of investees	Own	Of investees	Legal	Budgeted capital	Additional dividends	Unrealized income reserve	Retained earnings	Total	Noncontrolling shareholders	Total equity
At March 31, 2013		614,150	-	(13,811)	1,853	577,818	671,432	16,619	-	25,177	194,705	12,674	-	-	2,100,617	-	2,100,617
Capital increase with reserves		123,050	-	-	-	-	-	-	-	-	(123,050)	-	-	-	-	-	-
Additional dividends for prior year, paid		-	-	-	-	-	-	-	-	-	-	(12,674)		-	(12,674)	-	(12,674)
Realization of deemed cost increment		-	-	-	-	(20,906)	(8,969)	-	-	-	-	-	-	29,875	-	-	-
Payment of capital via assets in Vale do Mogi		-	-	-	-	(43,899)	43,899	-	-	-	-	-	-	-	-	-	-
Loss (gain) on derivative transactions - hedge accounting	17 (c)	-	-	-	-	-	-	(108,433)	(8,191)	-	-	-	-	-	(116,624)	-	(116,624)
Effect net of deferred taxes of investees		-	-	-	-	-	(2,661)	-	-	-	-	-	-	-	(2,661)	-	(2,661)
Stock options granted		-	-	-	2,297	-	-	-	-	-	-	-	-	-	2,297	-	2,297
Stock options exercised		-		1,972	(545)	-	-	-	-	-	-	-	-	632	2,059	-	2,059
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	-	135,001	135,001	-	135,001
Allocation of income:																	
Setting up of reserves	17 (e)	-	-	-	-	-	-	-	-	6,750	118,353	-	-	(125,103)	-	-	-
Mandatory minimum dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(32,063)	(32,063)	-	(32,063)
Additional proposed dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	8,342	-	(8,342)	-	-	-
At March 31, 2014	17	737,200		(11,839)	3,605	513,013	703,701	(91,814)	(8,191)	31,927	190,008	8,342	-	-	2,075,952	-	2,075,952
Capital increase with reserves	17 (a)	71,650	-	-	-	-	-	-	-	-	(71,650)	-	-	-	-	-	-
Capital increase due to issue of new shares	17 (a)	4,142	-	-	-	-	-	-	-	-	-	-	-	-	4,142	(2,259)	1,883
Fair value - acquisition of noncontrolling shareholders	17 (g)	-	9,119	-	-	-	-	-	-	-	-	-	-	-	9,119	-	9,119
Realization of deemed cost increment	17 (c)	-	-	-	-	(15,159)	(5,377)	-	-	-	-	-	-	20,536	-	-	-
Payment of capital via assets in Vale do Mogi		-	-	-	-	(284,382)	284,382	-	-	-	-	-	-	-	-	-	-
Effect of deferred taxes of investees		-	-	-	-	-	522,338	-	-	-	-	-	-	-	522,338	-	522,338
Loss (gain) on derivative transactions - hedge accounting	17 (c)	-	-	-	-	-	-	(183,928)	(28,875)	-	-	-	-	-	(212,803)	-	(212,803)
Merger of SC		-	-	-	-	-	-	(37,066)	37,066	-	-	-	-	-	-	-	-
Stock options granted	17 (b)	-	-	-	2,996	-	-	-	-	-	-	-	-	-	2,996	-	2,996
Stock options exercised	17 (b)	-	-	4,464	(1,522)	-	-	-	-	-	-	-	-	2,204	5,146	-	5,146
Additional dividends for prior year, paid	17 (e)	-	-	-	-	-	-	-	-	-	-	(8,342)	-	-	(8,342)	-	(8,342)
Other		-	-	-	-	-		-	-	-	-	-	-	(582)	(582)	-	(582)
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	-	286,058	286,058	2,259	288,317
Allocation of income:																	
Setting up of reserves	17 (e)	-	-	-	-	-	-	-	-	14,303	133,626	-	-	(147,929)	-	-	-
Mandatory minimum dividends	17 (e)	-	-	-	-	-	-	-	-	-	-	-	-	(67,939)	(67,939)	-	(67,939)
Unrealized income reserve	17 (d)	-	-	-	-	-	-	-	-	-	-	-	92,348	(92,348)	-	-	-
March 31, 2015	17	812,992	9,119	(7,375)	5,079	213,472	1,505,044	(312,808)	-	46,230	251,984	-	92,348	-	2,616,085	-	2,616,085

See accompanying notes.

Cash flow statement
Years ended March 31, 2015 and 2014
In thousands of reais

See accompanying notes.

Cash flow statement
Years ended March 31, 2015 and 2014
In thousands of reais

	Note	Company		Consolidated	
		2015	2014	2015	2014
Cash flow from operating activities					
Net income for the year		286,058	135,001	288,317	135,001
Adjustments					
Depreciation and amortization	26	186,338	125,026	197,138	126,217
Harvested biological assets (depletion)	26	267,474	179,872	277,709	179,872
Change in fair value of biological assets	11	27,562	(915)	31,029	(915)
Amortization of intangible assets		3,304	-	10,358	-
Equity pickup	10	(190,809)	(47,175)	(32,085)	16,444
Capital gain on investment		-	-	(7,055)	-
(Gain) loss on investment and property, plant and equipment dispo	27 e 12	238	1,861	162	(2,321)
Interest, monetary and foreign exchange variations, net		223,440	92,396	249,270	93,375
Derivative financial instruments		84,975	(174)	85,834	(174)
Provision for contingencies, net	21	12,374	16,847	14,162	16,847
Deferred income and social contribution taxes	19 (b)	9,429	48,909	5,568	44,642
Present value adjustment and others		(14,226)	9,182	(14,707)	8,216
Gains from sale of investment	27	(79,717)	-	(79,717)	-
		816,440	560,830	1,025,983	617,204
Changes in assets and liabilities					
Trade accounts receivable		(77,438)	(8,755)	(72,927)	(11,140)
Inventories		114,375	5,617	44,780	5,617
Taxes recoverable		(32,944)	(38,003)	(38,226)	(38,732)
Financial investments		-	-	118	-
Other assets		19,980	3,098	25,885	3,098
Trade accounts payable		(24,080)	12,050	(12,411)	9,014
Salaries and social charges		892	8,693	1,945	8,693
Taxes payable		8,552	(65)	14,285	3,749
Payables to Copersucar		13,472	4,084	13,742	4,084
Taxes in installments		(30,179)	(5,035)	(30,179)	(5,035)
Provision for contingencies - settlements	21.1	(28,204)	(27,619)	(28,699)	(27,619)
Other liabilities		2,842	(6,893)	937	(7,178)
Cash from operating activities		783,708	508,002	945,233	561,755
Payment of interest on borrowings		(118,613)	(84,386)	(132,415)	(85,872)
Income and social contribution taxes paid		-	-	(5,967)	(2,465)
Net cash from operating activities		665,095	423,616	806,851	473,418
Cash flows from investing activities					
In investments		(73,217)	(77,124)	(71,363)	(77,124)
Capital return		-	10,000	-	-
Gain on acquisition and sale of shareholding interest		-	-	44,860	-
Additions to PP&E and intangible assets		(273,625)	(270,500)	(285,323)	(271,482)
Additions to biological assets (planting and treatment)		(347,512)	(242,283)	(384,274)	(242,283)
Proceeds from sale of PP&E		2,483	6,462	3,356	12,783
Proceeds from sale of biological assets and rights		-	47,500	-	47,500
Cash and cash equivalents of merged subsidiary	10.7.1	228,422	1	-	1
Future capital contribution		(301,245)	(1,414)	-	(1,414)
Dividends received		146,162	88,114	3,127	1,330
Net cash used in investing activities		(618,532)	(439,244)	(689,617)	(530,689)
Cash flows from financing activities					
Borrowings raised - third parties		1,372,485	519,523	1,380,818	520,705
Amortization of borrowings - third parties		(937,015)	(412,668)	(991,355)	(415,275)
Sale of treasury shares	17 (f)	5,145	2,059	5,145	2,059
Payment of dividends	17 (e)	(40,405)	(30,000)	(43,089)	(30,000)
Net cash provided by financing activities		400,210	78,914	351,519	77,489
Net increase in cash and cash equivalents		446,773	63,286	468,753	20,218
Cash and cash equivalents at beginning of the year		542,917	479,631	551,359	531,141
Cash and cash equivalents at end of the year		989,690	542,917	1,020,112	551,359

See accompanying notes.

São Martinho

Statement of value added

Years ended March 31, 2015 and 2014

In thousands of reais

	Company		Consolidated	
	2015	2014	2015	2014
Revenues				
Gross sales of goods and products	1,786,373	1,544,863	2,020,023	1,584,267
Revenue from the construction of own assets	521,367	238,848	555,803	239,183
Other revenues	92,204	15,191	93,173	15,794
	2,399,944	1,798,902	2,668,999	1,839,244
Inputs acquired from third parties				
Cost of products and goods sold	(643,611)	(600,061)	(644,601)	(573,400)
Materials, electricity, outsourced services and others	(530,314)	(334,041)	(585,007)	(340,339)
	(1,173,925)	(934,102)	(1,229,608)	(913,739)
Gross value added	1,226,019	864,800	1,439,391	925,505
Depreciation and amortization	(186,338)	(125,026)	(197,138)	(126,217)
Harvested biological assets (depletion)	(267,474)	(179,872)	(277,709)	(179,872)
Net value added generated by the company	772,207	559,902	964,544	619,416
Net value added received in transfer				
Equity pickup	190,809	47,175	32,085	(16,444)
Financial income	289,588	273,800	314,693	277,954
Other	6,731	(11,791)	15,138	(11,793)
Total value added to be distributed	1,259,335	869,086	1,326,460	869,133
Distribution of value added				
Personnel and charges				
Direct compensation	295,929	200,562	310,862	200,562
Benefits	130,935	76,906	137,202	76,906
Unemployment Compensation Fund (FGTS)	27,367	17,648	28,694	17,648
Management fees	13,794	12,376	14,765	12,376
Taxes, rates and contributions				
Federal	60,574	84,005	72,163	86,036
State	1,702	160	1,706	160
Municipal	601	371	603	371
Creditors				
Interest	183,541	99,859	192,899	101,175
Lease	16,932	6,765	13,401	3,443
Foreign exchange variations	123,256	130,043	140,421	130,044
Other	118,646	105,390	125,427	105,411
Dividends	67,939	32,063	67,939	32,063
Retained profits for the year	218,119	102,938	218,119	102,938
Noncontrolling shareholders	-	-	2,259	-
Value added distributed	1,259,335	869,086	1,326,460	869,133

See accompanying notes.

1. Operations

São Martinho S.A. (the "Company"), is a public held Company headquartered in Pradópolis, State of São Paulo, and registered with the São Paulo Futures, Commodities and Securities Exchange - BM&BOVESPA S.A.("BM&BOVESPA"). The Company, its subsidiaries and jointly controlled subsidiaries (together, the "Group") are primarily engaged in planting sugar cane and producing and selling sugar, ethanol and other sugar cane products; cogenerating electricity; development of real estate ventures; agricultural production; import and export of goods, products and raw materials, and investment in other companies.

Approximately 60% of the sugar cane used in the production of the goods derives from the Company's own plantations, from shareholders, related companies and agricultural partnerships, and the remaining 40% from third-party suppliers. Sugar and alcohol business is subject to seasonal trends based on the sugarcane growing cycle in the South and Central region of Brazil. The annual sugarcane crop period in the South and Central region of Brazil typically begins in April and ends in December. This creates fluctuations in the Company's inventories. Raw material supply can suffer from the impact of adverse climate conditions. Sugar cane requires an 18-month period for maturing and the beginning of the harvest. The harvest generally takes place between April and December, which is also the period when sugar and ethanol are produced and electricity is cogenerated.

The Company is a subsidiary of the holding company LJN Participações S.A. ("LJN"), which has a controlling interest of 55.96% in its voting capital. The owners of LJN are the family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

During the year, the Company acquired the controlling interest in Santa Cruz S.A. - Açúcar e Álcool ("SC"), and disposed of all its equity investment in Agro Pecuária Boa Vista S.A. ("ABV"), as described in Note 10.

The above mentioned transactions have a significant effect on comparability of the current year results with those of the prior year.

The issue of these financial statements was approved by the Company's Board of Directors on June 22, 2015.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis for preparation

The financial statements of the Company comprise:

a) Consolidated financial statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil by the Brazilian Financial Accounting Standards Board ("CPC") and CPC technical interpretations ("ICPCs") and guidance ("OCPCs") approved by the Brazilian SEC ("CVM").

b) Individual financial statements

The individual financial statements of the Company have been prepared in accordance with accounting practices adopted in Brazil, which include the provisions of Brazilian Corporation Law, under Law No. 6404/76 as amended by Laws No. 11638/07 and No. 11941/09, and accounting pronouncements, interpretations and guidance issued by the CPC and approved by the CVM. Up until December 31, 2013, these practices had differed from IFRS applicable to separate financial statements solely with respect to the measurement of investments in subsidiaries, affiliates and jointly controlled subsidiaries under the equity method, while such investments would be measured at cost or fair value for IFRS purposes.

After the issuance of the revised international accounting standard IAS 27 (*Separate Financial Statements*) by the IASB in 2014, entities are now allowed to use the equity method to account for their investments in subsidiaries, affiliates and jointly controlled subsidiaries. In December 2014, the Brazilian securities regulator issued its CVM Rule No. 733/2014 to approve the Document for Revision of Accounting Pronouncements CPC 18, CPC 35 and CPC 37 issued by the CPC so as to include said revision to IAS 27, and to allow their adoption for annual periods ended on or after December 31, 2014. Accordingly, the individual financial statements of the Company started to be prepared under IFRS as from the current year.

In thousands of reais, unless otherwise stated

The financial statements were prepared under the historical cost convention, except for certain derivative financial instruments and biological assets, measured at fair value.

Significant accounting practices adopted by the Company are described in the specific notes to these financial statements related to the items reported, and those generally applicable, in different aspects, to the financial statements, are described as follows.

2.2 Basis for consolidation and investments in subsidiaries

Subsidiaries are all companies controlled by the Company, fully consolidated from the date on which control is transferred to the Company. Consolidation is ceased as from the date the Company loses control of the investee.

Accordingly, the consolidated balances in the financial statements for the year ended March 31, 2015 include the following subsidiaries:

Company	Interest held	Core business
Vale do Mogi Empreendimentos Imobiliários S.A. (“Vale do Mogi”)	100%	Development of land through tenancy, agricultural partnerships, leasing and sale of properties.
São Martinho Energia S.A. (“SME”)	100%	Cogeneration of electricity.
Companhia Bioenergética Santa Cruz 1 (“Bio”)	100%	Cogeneration of electricity.
Vale do Piracicaba S.A. (“Vale do Piracicaba”)	100%	Purchase and sale of properties and real estate development ventures.
SPE - Residencial Recanto das Paineiras Empreendimentos Imobiliários Ltda. ("Paineiras") – subsidiary of Vale do Mogi	100% (direct interest 0.01% and indirect interest 99.99%)	Real estate development ventures.
SPE - Park Empresarial Iracemápolis Ltda. ("Park") – subsidiary of Vale do Mogi	100% (direct interest 0.01% and indirect interest 99.99%)	Real estate development ventures.
SPE - Residencial Limeira Ltda. ("Limeira") – subsidiary of Vale do Mogi	100% (direct interest 0.01% and indirect interest 99.99%)	Real estate development ventures.
SPE - Residencial Pradópolis Ltda. - subsidiary of Vale do Mogi	100% (direct interest 0.01% and indirect interest 99.99%)	Real estate development ventures.
São Martinho Logistica e Participações S.A.	100% (direct interest 99.99% and indirect interest 0.01%)	Storage of products in general.

Contractual investment arrangements whereby two or more parties have joint control of the venture are classified as jointly controlled operations or joint ventures, according to rights and obligations of the parties thereto. These investments are accounted for under the equity method.

At March 31, 2015, the Company had the following jointly controlled entities:

Company	Interest held	Core business
Jointly controlled subsidiaries - direct:		
Nova Fronteira Bioenergia S.A. ("NF")	50.95%	Holding interests in other entities in the sugar-energy industry.
SMA Indústria Química S.A. ("SMA")	50%	Production of renewable high performance chemical products.
Usina Santa Luiza S.A. ("USL")	66.67%	Storage services.
Jointly controlled subsidiaries - indirect:		
Usina Boa Vista S.A. ("UBV") – subsidiary of NF	50.95%	Agribusiness activities: industrial processing of sugar cane (own and third party production), manufacture of ethanol and its by-products cogeneration of electricity and agriculture.
SMBJ Agroindustrial S.A. ("SMBJ") – subsidiary of NF	50.95%	Agriculture.

2.3 Functional and reporting currency

The financial statements are presented in Real (R$), which is the currency of the primary economic environment in which the Company operates ("the functional currency").

2.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the corresponding transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss for the year, except when deferred in equity as qualifying cash flow hedges.

2.5 Financial instruments

(i) Financial Assets

The Company's financial assets are classified as (i) financial assets at fair value through profit or loss, or (ii) loans and receivables. Measurement of financial assets depends on their classification.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. These assets are accounted for at fair value and transaction costs are charged to profit or loss.

b) Loans and receivables

These include cash and cash equivalents, trade accounts receivable and other receivables ("transactions with related parties"). Loans and receivables are measured at amortized cost using the effective interest rate method, less impairment.

c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

(ii) Financial Liabilities

The Company's financial liabilities include trade accounts payable, borrowings, related parties and other payables, which are classified as borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the amortization process by the effective interest rate method.

(iii) Derivative financial instruments

Derivatives are measured at fair value, with gains and losses recognized in profit or loss, unless hedge accounting is applied.

When Company documents, at inception date, the relationship between the hedging instrument and the hedged item as well as its risk management objective and strategy for undertaking the hedging transaction.

The effective portion of changes in fair value of derivatives designated as cash flow hedges is classified as “Equity adjustments” in equity. The ineffective portion of such changes is recorded as “Financial income (expenses)” in profit or loss for the year. The amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, and the related effects are recognized as “Net revenue from sales”, in order to minimize undesired changes in the hedged item.

2.6 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

In thousands of reais, unless otherwise stated

3. Standards, interpretations and amendments to existing standards that are not yet effective

The following new or revised standards are not yet effective for the year ended March 31, 2015:

Standard	Requirement	Impact on Financial Statements
IFRS 9 - Financial instruments:	This standard ultimately refers to replacement of IAS 39. The major changes provided for therein are: (i) all financial assets are initially measured at fair value; (ii) the standard divides all financial assets into two classifications: those measured at amortized cost and those measured at fair value; and (iii) the concept of embedded derivatives no longer exists.	Management is evaluating the impacts from its adoption.
IFRS 15 – Revenue from Contracts with Customers	The main purpose is to provide clear principles for revenue recognition and streamline the process of preparation of the financial statements.	Management is evaluating the impacts from its adoption.
Standard	**Requirement**	**Impact on Financial Statements**
Amendment to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization and IAS 41 - Agriculture	Production biological assets (bearer plants) must be accounted for as a PPE item (IAS 16), i.e., cost less depreciation or impairment. Depreciation and amortization method should be based on economic benefits consumed through use of the asset.	Management is evaluating the impacts from its adoption. This amendment will become effective as from January 1, 2016.
Amendment to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and associated or joint venture (joint arrangements)	The purpose of this amendment is to correct the inconsistency between the requirements of IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associate, Subsidiary and Joint Venture upon dealing with the loss of control of a subsidiary that is contributed to an associate, subsidiary or joint ventures. Effective from 1/1/2016.	Management is evaluating the impacts from its adoption. This amendment will become effective as from January 1, 2016.
Amendment to IAS 1	This amendment intends to emphasize that the financial information should be objective and understandable.	The Company decided to adopt this amendment through full application of OCPC 07.

(i) Amendments to existing standards

Standard	Requirement	Impact on Financial Statements
IFRS 7 - Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed financial statements	The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed financial statements. However, IAS 34 requires an entity to disclose "an explanation of events and transactions that are significant to understand the changes in financial position and performance of the entity since the end of the last annual period". Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, these disclosures would be expected to be included in the condensed financial statements. This amendment should be applied retrospectively and will be effective for annual periods beginning on or after January 1, 2016, but early adoption is permitted. Effective from 1/1/2016.	Management is evaluating the impacts from its adoption.

4. Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

Estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next financial year are listed below.

(a) Impairment of goodwill

The Group tests goodwill for impairment annually. The recoverable amount of cash-generating units (CGUs) was estimated on the basis of value in use.

(b) Allowance for doubtful accounts

This allowance is calculated based on an individual analysis of the past due notes receivable or estimated default risk, checking the nature of the notes, the existence and sufficiency of secured guarantees, history and other factors.

(c) Provision for write-down to replacement and/or net realizable value of inventories

This provision is calculated based on an analysis of the average cost of finished products in relation to their realizable market value, net of selling costs.

(d) Fair value of biological assets

This represents the present value of expected net cash flows from these assets, which is determined based on assumptions used in the discounted cash flow method.

(e) Income tax, social contribution and other taxes

The Company recognizes provisions for situations in which it is probable that additional tax amount shall be levied. When the final result of these circumstances is different from those initially estimated and recorded, these differences will change the current and deferred tax assets and liabilities for the year in which the definitive amount is determined.

In thousands of reais, unless otherwise stated

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and to make assumptions based mainly on market conditions existing at the balance sheet date.

In addition, certain financial assets and liabilities are discounted to present value. Management estimates the discounts rates most appropriate in each circumstance and period.

g) Provision for contingencies

The Group is party to labor, civil and tax lawsuits at various court levels. The provisions for contingencies to cover losses arising from ongoing proceedings are set up and updated based on management's assessment, according to the opinion of its legal counsel, and require a high level of judgment on the matters involved.

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other highly liquid short-term investments with original maturity within three months or less, readily convertible into a known cash amount and subject to insignificant risk of change in value.

	Company			Consolidated		
	Yield*	2015	2014	Yield*	2015	2014
Cash and banks - in Brazil		2,041	471		8,359	495
Cash and banks - abroad		190,575	94,447		190,576	94,447
Short-term investments - in Brazil						
. Bank Deposit Certificate (CDB)	2015 - 100.95%	405,183	187,549	2015 - 100.95%	405,183	187,549
. Debentures under repurchase agreements	2015 - 101.24%	391,891	260,450	2015 - 101.20%	415,994	268,868
		989,690	542,917		1,020,112	551,359

* Remuneration based on the Interbank Deposit Certificate (CDI) rate variation – weighted average rate.

In thousands of reais, unless otherwise stated

6. Trade accounts receivable

Trade accounts receivable are stated at present value, net of allowance for doubtful accounts, as applicable.

The analysis of the balance of trade receivables is as follows:

	Company		Consolidated	
	2015	2014	2015	2014
Domestic market customers	79,227	54,299	101,431	66,605
Foreign market customers	62,935	7,093	62,935	7,093
	142,162	61,392	164,366	73,698
Current assets	141,601	59,800	156,317	72,106
Noncurrent assets	561	1,592	8,049	1,592

At March 31 2015 and 2014, management did not identify the need to record an allowance for doubtful accounts.

The aging list of these trade accounts receivable is as follows:

	Company		Consolidated	
	2015	2014	2015	2014
Undue:	141,551	60,808	163,739	73,114
Past due and not provisioned:				
Within 30 days	506	-	518	-
Over 31 days	105	584	109	584
	142,162	61,392	164,366	73,698

Out of the total balance receivable, R$ 2,719 - Company (R$ 2,565 - Consolidated) refer to related parties, as detailed further in Note 9.

In thousands of reais, unless otherwise stated

7. Inventories

	Company		Consolidated	
	2015	2014	2015	2014
Current				
Finished products and work-in-process	81,410	19,480	81,410	19,480
Advances - procurement of sugar cane	39,575	39,118	39,575	39,118
Land - subdivisions	-	-	10,322	9,339
Inputs, ancillary material for maintenance and other items	46,136	31,721	46,136	31,721
	167,121	90,319	177,443	99,658
Noncurrent				
Advances - customers and services	6,744	2,773	6,744	2,773
Advances - procurement of sugar cane	42,863	23,017	42,863	23,017
	49,607	25,790	49,607	25,790
	216,728	116,109	227,050	125,448

Inventories are stated at average acquisition or production costs, adjusted as deemed necessary, by the provision for write-down to their realizable value. The land inventory balance (Land subdivisions) is stated at acquisition cost, increased by the deemed cost of land.

The balance classified as "Land subdivisions" refers to the real estate ventures Residencial Recanto das Paineiras, Park Empresarial Iracemápolis, Residencial Limeira and Residencial Pradópolis.

The Company entered into partnerships to purchase sugar cane grown on third-party rural properties (including agricultural partnerships), of which part of the delivery will only occur in future years.

In thousands of reais, unless otherwise stated

8. Taxes recoverable

The breakdown of taxes recoverable is as follows:

	Company		Consolidated	
	2015	2014	2015	2014
Current				
PIS / COFINS	58,494	24,214	58,500	24,214
ICMS	27,346	29,532	27,948	29,994
Reintegra	15,572	-	15,572	-
Tax on Financial Transactions (IOF) on derivatives	-	5,841	-	5,841
Other	801	4,318	801	4,318
	102,213	63,905	102,821	64,367
Noncurrent				
PIS / COFINS	42,160	48,117	42,160	48,117
IOF on derivatives	6,380	-	6,380	-
ICMS	22,387	19,825	22,535	20,084
INSS	4,785	-	4,785	-
	75,712	67,942	75,860	68,201
	177,925	131,847	178,681	132,568

The balances of taxes recoverable arise from commercial transactions and tax prepayments, adjusted to present value when applicable (credits on purchases of property, plant and equipment).

The expected realization of the long-term tax credits is as follows:

Periods ended March 31:	Company	Consolidated
2017	36,859	36,908
2018	16,324	16,373
2019	10,079	10,129
2020	5,451	5,451
2021	2,900	2,900
From 2022 onwards	4,099	4,099
	75,712	75,860

In thousands of reais, unless otherwise stated

9. Transactions with related parties

a) Company and consolidated balances:

Company	2015 Current assets	2015 Noncurrent assets	2015 Current liabilities	2015 Noncurrent liabilities	2014 Current assets	2014 Noncurrent assets	2014 Current liabilities
From investees and related parties:							
Vale do Mogi Empreend. Imobiliários S.A.	137	-	3,643	-	5	-	2,440
Usina Boa Vista S.A.	2,344	-	-	-	3,569	-	116
Usina Santa Luiza S.A.	57	-	185	-	56	1,925	19
Nova Fronteira Bioenergia S.A.	5	-	-	-	-	-	-
Companhia Bioenergética Santa Cruz 1	11	-	1,223	-	-	-	-
SMBJ Agroindustrial S.A.	5	-	-	-	5	-	-
Santa Cruz S.A. Açúcar e Álcool	-	-	-	-	4,398	-	525
Luiz Ometto Participações S.A. (nota 31)	-	-	12,062	73,370	-	-	-
SMA Industria Química S.A.	58	-	-	-	52	-	-
São Martinho - Energia S.A.	5	-	2,179	-	5	1	14,500
Vale do Piracicaba S.A.	-	1,246	-	-	-	-	-
Agro Pecuaria Boa Vista S.A.	-	-	-	-	5	-	-
Other	97	34	73	-	72	-	-
Subtotal	2,719	1,280	19,365	73,370	8,167	1,926	17,600
From shareholders - procurement of sugar cane	1,015	-	1,027	-	2,577	-	1,876
	3,734	1,280	20,392	73,370	10,744	1,926	19,476

Consolidated	2015 Current assets	2015 Noncurrent assets	2015 Current liabilities	2015 Noncurrent liabilities	2014 Current assets	2014 Noncurrent assets	2014 Current liabilities
From investees and related parties:							
Usina Boa Vista S.A.	2,344	-	-	-	3,569	-	116
Nova Fronteira Bioenergia S.A.	5	-	-	-	-	-	-
Santa Cruz S.A. Açúcar e Álcool	-	-	-	-	4,398	-	525
Luiz Ometto Participações S.A. (nota 31)	-	-	12,062	73,370	-	-	-
Usina Santa Luiza S.A.	57	-	185	-	56	1,925	19
SMA Industria Química S.A.	58	-	-	-	52	-	-
SMBJ Agroindustrial S.A.	5	-	-	-	5	-	-
Agro Pecuaria Boa Vista S.A.	-	-	-	-	5	-	-
Other	96	34	73	-	72	-	-
Subtotal	2,565	34	12,320	73,370	8,157	1,925	660
From shareholders - procurement of sugar cane	1,015	-	1,027	-	2,577	-	1,876
	3,580	34	13,347	73,370	10,734	1,925	2,536

The balances in current assets (classified as trade accounts receivable and inventories in the balance sheet) and current liabilities (classified as trade accounts payable in the balance sheet) refer to sales and purchases of goods and services between the Company, its investees and related parties. The balances in noncurrent assets and liabilities refer to future capital contributions and acquisition of equity investment.

In thousands of reais, unless otherwise stated

b) Company and Consolidated transactions in the year:

Company	2015 Reimbursed expenses	2015 Procurement of products and services	2014 Reimbursed expenses	2014 Procurement of products and services
Vale do Mogi Empreend. Imobiliários S.A.	20	(46,741)	23	(38,345)
Usina Boa Vista S.A.	13,010	-	11,572	(185)
Usina Santa Luiza S.A.	385	(726)	356	(541)
SMA Industria Química S.A.	261	-	244	-
Santa Cruz S.A. Açúcar e Álcool	4,047	-	10,139	(2,018)
São Martinho - Energia S.A.	305	-	-	-
Luiz Ometto Participações S.A. (Note 27)	-	79,717	-	-
Other	489	(1,701)	634	-
Shareholders and related parties				
- procurement of sugar cane	-	(10,110)	-	(10,603)
	18,517	20,439	22,968	(51,692)

The expenses reimbursed by investees refer to the costs of the shared services center of the Board of Directors and the Corporate Office. The apportionments are supported by agreements between the parties.

Consolidated	2015 Reimbursed expenses	2015 Procurement of products and services	2014 Reimbursed expenses	2014 Procurement of products and services
Usina Boa Vista S.A.	13,010	-	11,572	(185)
Usina Santa Luiza S.A.	385	(726)	356	(541)
SMA Industria Química S.A.	261	-	244	-
Santa Cruz S.A. Açúcar e Álcool	4,047	-	10,139	(2,018)
Luiz Ometto Participações S.A. (Note 27)	-	79,717	-	-
Other	450	(198)	492	-
Shareholders and related parties				
- procurement of sugar cane	-	(10,110)	-	(10,603)
	18,153	68,683	22,803	(13,347)

As described in Notes 10.6 and 10.7.1, over the year, the Company carried out transactions with its related parties for acquisition and sale of equity investments.

In thousands of reais, unless otherwise stated

c) Key management personnel compensation:

Key management personnel includes directors and statutory officers. Compensation paid or to be paid for the year is stated as follows:

	Company		Consolidated	
	2015	2014	2015	2014
Salaries, fees and bonus	15,429	14,668	17,228	14,668
Social security contributions and social charges	2,951	2,885	3,230	2,885
Other	922	935	1,058	935
	19,302	18,488	21,516	18,488

In thousands of reais, unless otherwise stated

10. Investments

10.1 Subsidiaries, jointly controlled subsidiaries and affiliates

The Company's investments in other companies are as follows:

							Company	Consolidated	
Company	% of interest held	Equity adjusted in investee		Book value of investment		Equity pickup		Book value of investment	
		March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Classified in investment									
Vale do Mogi Empreend. Imobiliários S.A.	100.00%	1,678,250	826,249	1,678,250	826,249	69,250	46,558	-	-
São Martinho - Energia S.A.	100.00%	9,365	7,814	9,365	7,812	51,553	17,061	-	-
Vale do Piracicaba S.A.	100.00%	17,334	1	17,334	1	7,088	-	-	-
Santa Cruz S.A. Açúcar e Álcool (ii)	-	-	253,616	-	81,648	31,534	(8,737)	-	81,648
Agro Pecuaria Boa Vista S.A. (i)	-	-	330,809	-	61,797	2,507	977	-	61,797
São Martinho Logistica e Participações S.A.	100.00%	3,367	-	3,367	-	267	-	-	-
Nova Fronteira Bioenergia S.A. (i)	50.95%	803,414	754,778	409,352	384,572	24,781	(6,577)	409,352	384,572
Companhia Bioenergética Santa Cruz 1	100.00%	122,733	-	122,733	-	4,786	-	-	-
CTC - Centro de Tecnologia Canavieira S.A. (i)	-	-	154,235	-	9,747	498	(448)	18,578	9,747
Agro Pecuária Caieira do Norte S.A. (i)	22.46%	8,134	-	1,827	-	-	-	1,827	-
Agropecuária do Cachimbo S.A. (i)	8.56%	270	-	23	-	(1)	-	23	-
Total classified in investment	-	2,642,867	2,327,502	2,242,251	1,371,826	192,263	48,834	429,780	537,764
Classified in noncurrent liabilities									
SMA - Industria Quimica S/A (i)	50.00%	(3,737)	(3,500)	(1,869)	(1,750)	(118)	(617)	(1,869)	(1,750)
Usina Santa Luiza S.A. (i)	66.67%	(13,587)	(15,824)	(9,058)	(10,550)	(1,336)	(1,042)	(9,058)	(10,550)
Total classified in noncurrent liabilities	-	(17,324)	(19,324)	(10,927)	(12,300)	(1,454)	(1,659)	(10,927)	(12,300)
Balances at March 31, 2015	-	2,625,543	2,308,178	2,231,324	1,359,526	190,809	47,175	418,853	525,464

There are no cross-holdings between the Company and its investees.

(i) Investees are not consolidated and these investments are reported in the consolidated financial statements under the equity method;

(ii) Merged during the year, Note 10.7;

(iii) Disposed of during the year, Note 10.6.

10.2 Changes in corporate structure during the prior year

Important corporate transactions were carried out in the prior year which significantly affected the comparison of the current period results with those of the prior period.

These transactions are described in detail in Note 12 of the financial statements for the year ended March 31, 2014 in the following notes:

- Merger of Mirtilo Investimentos e Participações S.A.
- Capital payment in Vale do Mogi Empreendimentos Imobiliários S.A.
- Acquisition of investment in Vale do Piracicaba S.A.
- Payment of capital and sale of Cerrado Açúcar e Álcool S.A.
- Capital decrease in São Martinho Energia S.A.
- Capital payment and contribution in subsidiary and jointly controlled subsidiary (Usina Santa Luiza S.A. and São Martinho – Energia S.A.)

10.3 Capital increase in Vale do Piracicaba S.A. (“Vale do Piracicaba”)

At the Board of Directors' meeting held on June 16, 2014, a capital increase in subsidiary Vale do Piracicaba was approved, through the transfer of the investment held by the Company in Centro de Tecnologia Canavieira S.A. (“CTC”) of R$ 10,245.

In September 2014, the Brazilian Development Bank - BNDES entered into an investment agreement with CTC shareholders, including subsidiary Vale do Piracicaba S.A., for capital increase in CTC, totaling R$300 million. At March 31, 2015, BNDES had invested R$ 150,000 in CTC and the remaining balance of R$ 150,000 is to be invested in two equal installments up until March 31, 2016 and 2017. The Company recorded a gain of R$ 7,055 after the capital increase made by CTC, as described in Note 27.

Furthermore, BNDES and the other CTC shareholders entered into a shareholders’ agreement whereby BNDES may sell its CTC shares to the other shareholders, if CTC does not go public, or if it goes public below a predefined price, within a period of seven years, which may be extended for up to four additional years. At March 31, 2015, the fair value of the BNDES put option was not material.

10.4 Capital payment and increase in São Martinho Logística e Participações S.A. (“SM Log”)

At the Board of Directors' meeting held on March 31, 2014, the establishment of SM Log was approved. The share capital was subscribed as R$ 1 with the issue of one thousand shares, which were attributed to the shareholders as follows: 99% by the Company and 1% by Vale do Mogi. The main purpose of SM Log is to perform services related to warehouse storage and to invest in other companies.

In addition, the Board of Directors' meeting held on June 16, 2014 approved a capital increase in SM Log amounting to R$ 3,099 through the issue of 3,099,000 (three million, ninety-nine thousand) new shares.

10.5 Partial split off of SC assets

At the Special General Meeting of Santa Cruz S.A. – Açúcar e Álcool (“SC”) held on April 30, 2014, the shareholders approved the split off of the investment previously held by SC in Agro Pecuária Boa Vista S.A. ("ABV"). The shares held by SC were transferred to ABV shareholders. The Company, as a shareholder of ABV, received an additional investment of 16.32%, then becoming the holder of 34.29% of the ABV shares.

10.6 Disposal of Agro Pecuária Boa Vista S.A. (“ABV”)

On August 8, 2014, the Company concluded a transaction to sell all shares in ABV to LOP. In all 1,146 thousand shares, representing 34.29% of the capital in ABV at the amount of R$ 195,900, were sold. This amount will be received in annual installments restated at the CDI rate over a ten-year period. The transaction resulted in a gain amounting to R$ 79,717 and is recorded under the “Other income, net” group of accounts (Note 27).

10.7 Acquisitions

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any noncontrolling interests in the acquiree. Goodwill is recognized as the positive difference between the consideration transferred and the fair value of the net of the identifiable assets acquired and the liabilities assumed at the acquisition date, which is attributed to each cash generating unit acquired.

10.7.1 Acquisition and merger of Santa Cruz S.A. – Açúcar e Álcool ("SC")

On April 1, 2014, the Company concluded a transaction for the acquisition of further 3.90% interest in the capital of SC, thereby increasing its investment in the equity of SC from 32.19% to 36.09%. The consideration involved amounts to R$ 15,346, to be paid in three annual installments of R$ 5,115 (Note 31).

In addition, on August 8, 2014, the Company concluded a transaction with Luiz Ometto Participações S.A. ("LOP") and other individual controlling shareholders of SC for the acquisition of 56.05%, for a consideration in the amount of R$ 315,862, thereby increasing investment in SC from 36.09% to 92.14%. As from that date, the Company began to fully consolidate SC. The balance payable related to this transaction is detailed in Note 31. The transactions described above were approved by the Brazilian antitrust enforcement agency (CADE) on July 23, 2014.

After this acquisition, the Company obtained control over SC and therefore, it remeasured its previous 36% investment in the equity of SC at fair value, recording a gain of R$ 31,772, as mentioned in Note 27.

Management contracted independent experts to measure fair value of the identifiable assets acquired, the liabilities and the contingent liabilities assumed, in addition to the determination of the purchase pricing allocation (PPA).

In thousands of reais, unless otherwise stated

The following table shows the assets acquired and the liabilities assumed as well as the preliminary PPA determination referring to the acquisition of the 59.95% interest:

	Fair value
Total consideration	331,207
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	26,794
Trade accounts receivable	12,018
Inventories	110,462
Taxes recoverable	14,716
Other assets	8,792
Investments	46,933
Biological assets	151,707
Property, plant and equipment	372,665
Intangible assets	129,695
Borrowings	(445,553)
Trade accounts payable	(34,012)
Derivative financial instruments	(3,292)
Payables to Copersucar	(29,484)
Deferred income and social contribution taxes	(111,584)
Other liabilities	(36,017)
Total assets and liabilities of investee (59.95%)	213,840
(=) Goodwill - future profitability	117,367

Costs related to the transaction are represented by commissions, legal and intermediary fees and totaled R$ 7,194, charged against income for the year ended March 31, 2015.

The Special General Meeting held on October 31, 2014 approved the merger of SC into the Company, based on the book value valuation report as of June 30, 2014. The Merger is justified to the extent that SC's assets combined with those of the Company, under a single corporate structure will allow more efficient use of its assets and operations in order to concentrate at the Company, all activities undertaken by SC.

In thousands of reais, unless otherwise stated

The Company merged the net assets of SC, based on book values as at October 31, 2014:

Assets	Net asset merged	Liabilities	Net asset merged
Current assets		Current liabilities	
Cash and cash equivalents	228,422	Borrowings	463,602
Trade accounts receivable	9,428	Derivative financial instruments	8,040
Derivative financial instruments	1,556	Trade accounts payable	70,500
Inventories	236,542	Salaries and social charges	24,203
Taxes recoverable	16,378	Transactions with related parties	24,030
Income and social contribution taxes	14,131	Taxes payable	904
Other assets	4,878	Advances to customers	2,272
		Other liabilities	4,207
	511,335		
Noncurrent assets			597,758
Long-term receivables			
Financial investments	465		
Inventories	2,195	Noncurrent liabilities	
Accounts receivable - Copersucar	308	Long-term liabilities	
Transactions with related parties	34	Borrowings	290,528
Judicial deposits	1,651	Payables to Copersucar	50,125
Taxes recoverable	7,741	Transactions with related parties	300,000
Other assets	397	Deferred taxes	17,720
		Provision for contingencies	5,811
	12,791		
			664,184
Investments	101,733		
Biological assets	270,607		
Property, plant and equipment	381,083		
Intangible assets	29,669		
		Total liabilities	1,261,942
	783,092		
Total assets	1,307,218	**Total net assets merged**	**45,276**

For the merger of SC, the Company's capital was increased by R$ 4,142 through issue of 329,207 shares, which were 100% attributed to noncontrolling shareholders of SC, according to their respective equity interests therein.

In thousands of reais, unless otherwise stated

11. Biological assets

Biological assets comprise planting and cultivation of sugar cane, which will be used as raw material in the production of sugar and ethanol. These assets are carried at fair value less costs to sell.

Sugar cane is classified as a permanent crop and its economically productive cycle lasts, on average, six years after the first harvest.
Upon harvest, the fair value of sugar cane is determined by the quantity harvested, valued at the accumulated value established by the Council of Sugar Cane, Sugar and Alcohol Producers of the State of São Paulo (CONSECANA) in that month. The fair value of sugar cane harvested will be the cost of raw material used in the production of sugar and ethanol.

The fair value of sugar cane plantations is determined based on the discounted cash flow method, considering basically:

(a) Cash inflows obtained from the multiplication of (i) the estimated production, measured in kilograms of Total Sugar Recoverable (ATR); and (ii) the future market price of sugar cane, which is estimated based on public data and estimates of the future prices of sugar and ethanol; and

(b) Cash outflows represented by estimates of (i) costs necessary for the biological transformation of the sugar cane (cultivation) up to the harvest; (ii) costs with harvesting/cutting, loading and transport; (iii) capital costs (land and machinery and equipment); (iv) costs of leases and agricultural partnerships; and (v) taxes on positive cash flows.

The following assumptions were used to test fair value:

Company and Consolidated	2015	2014
Harvest estimated total area (ha)	157,630	105,227
Expected productivity (metric ton/ha)	80.66	83.50
Amount of ATR per metric ton of sugar cane (kg)	134.34	133.73
Estimated average price per ATR (R$)	0.5000	0.4646

In thousands of reais, unless otherwise stated

Based on the estimates of revenue and costs, the Company determines the future cash flows to be generated and adjusts them to present value, using a discount rate compatible with the remuneration of the investment in the circumstances. Changes in fair value are recorded as biological assets with a corresponding entry to the sub account "Changes in fair value of biological assets", under "Cost of sales" in the income statement for the year.

Changes in fair value of biological assets for the period are as follows:

	Company		Consolidated	
	2015	2014	2015	2014
Biological assets at March 31	596,309	506,368	596,309	544,167
Increases due to planting	135,970	108,086	150,754	108,086
Increases due to treatment	211,542	134,197	233,520	134,197
Changes in fair value	(27,562)	915	(31,029)	915
Merger of Mirtilo	-	37,799	-	-
Decrease due to sale of Cerrado	-	(11,564)	-	(11,564)
Consolidation of SC	-	-	252,309	-
Merger of SC	270,607	-	-	-
Decreases resulting from harvesting	(250,625)	(179,492)	(265,622)	(179,492)
Biological assets at the end of the period	936,241	596,309	936,241	596,309

(a) Agricultural partnerships and lease agreements

The Company signed agreements of agricultural partnerships to purchase sugar cane produced in the rural properties of third parties. The terms of these agreements are, mainly between six and twelve years, renewable upon expiry. In addition, the Company has lease agreements for the production of sugar cane.

In thousands of reais, unless otherwise stated

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugar cane established by CONSECANA. At March 31, 2015 and 2014, the total estimated payments (nominal value) are as follows:

Company and Consolidated	2015	2014
Within 1 year	164,219	92,368
From 1 to 5 years	499,309	231,707
Over 5 years	425,802	126,976
	1,089,330	451,051

12. Property, plant and equipment

Net book value and useful life of the assets as well as the depreciation methods used are reviewed, and adjusted prospectively, at year end. Depreciation is calculated using the straight-line method, and for production equipment the accelerated depreciation method is applied, taking into consideration the crushing season.
Maintenance costs that extend the useful lives of property, plant and equipment items are capitalized and items that replace others which suffer wear and tear during the crop period are recorded as assets, and are depreciated during the subsequent crop period. Maintenance costs that do not extend the useful lives of the assets are recognized as expenses when incurred. The replaced items are written off.

Impairment of nonfinancial assets

Property, plant and equipment and other noncurrent assets are reviewed annually to identify whether there is any evidence of impairment, and also whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The costs of charges on borrowings taken to finance the construction of property, plant and equipment are capitalized during the period of time required to execute and prepare the asset for its intended use.

In thousands of reais, unless otherwise stated

Company	Land	Buildings and facilities	Manufacturing facilities and equipment	Vehicles	Agricultural machinery and implements	Other PPE	Construction in progress	Total
Balances at March 31, 2014	602,806	83,504	442,725	62,622	133,703	14,226	143,446	1,483,032
Purchases	-	-	70,837	34,479	35,722	599	107,231	248,868
Cost of sales	(164)	-	(8)	(432)	(2,951)	(1)	-	(3,556)
Payment of capital - Vale Mogi	(69,164)	-	-	-	-	-	-	(69,164)
Transfers between accounts	-	21,459	139,353	2,902	3,462	2,692	(169,868)	-
Depreciation	-	(3,090)	(99,057)	(6,108)	(20,044)	(2,784)	-	(131,083)
Balances at March 31, 2014	533,478	101,873	553,850	93,463	149,892	14,732	80,809	1,528,097
Total cost	533,478	117,129	695,664	116,084	202,569	45,515	80,809	1,791,248
Accumulated depreciation	-	(15,256)	(141,814)	(22,621)	(52,677)	(30,783)	-	(263,151)
Net book value	533,478	101,873	553,850	93,463	149,892	14,732	80,809	1,528,097
Purchases	-	10	130,035	22,481	23,117	1,069	91,679	268,391
Cost of sales	-	-	(1)	(551)	(2,033)	-	-	(2,585)
Payment of capital - Vale Mogi	(476,795)	-	-	-	-	-	-	(476,795)
Merger of SC	30,988	45,446	225,403	28,756	35,600	966	13,924	381,083
Purchase Pricing Allocation	37,491	15,418	658	23,513	53,195	-	-	130,275
Transfers between accounts	-	38,302	97,969	2,298	1,191	1,919	(141,679)	-
Depreciation	-	(4,204)	(112,825)	(8,834)	(22,781)	(2,991)	-	(151,635)
Balances at March 31, 2015	125,162	196,845	895,089	161,126	238,181	15,695	44,733	1,676,831
Total cost	125,162	224,154	1,187,999	227,870	346,457	50,437	44,733	2,206,812
Accumulated depreciation		(27,309)	(292,910)	(66,744)	(108,276)	(34,742)	-	(529,981)
Net book value	125,162	196,845	895,089	161,126	238,181	15,695	44,733	1,676,831
Net book value:								
Historical cost	1,521	134,485	632,756	126,826	163,848	15,695	44,733	1,119,864
Increment	123,641	62,360	262,333	34,300	74,333	-	-	556,967
Average annual depreciation rates	-	3.15%	5.69%	7.54%	9.88%	12.11%	-	-

In thousands of reais, unless otherwise stated

Consolidated	Land	Buildings and facilities	Manufacturing facilities and equipment	Vehicles	Agricultural machinery and implements	Other PPE	Construction in progress	Total
Balances at March 31, 2013	1,712,990	91,041	442,725	62,622	133,703	14,226	169,174	2,626,481
Purchases	-	-	71,018	34,479	35,722	599	107,895	249,713
Cost of sales	(13,396)	-	(8)	(432)	(2,951)	(1)	-	(16,788)
Transfers to inventories	(9,339)	-	-	-	-	-	-	(9,339)
Transfers between accounts	-	21,459	165,745	2,902	3,462	2,692	(196,260)	-
Depreciation	-	(3,613)	(99,727)	(6,108)	(20,044)	(2,784)	-	(132,276)
Balances at March 31, 2014	1,690,255	108,887	579,753	93,463	149,892	14,732	80,809	2,717,791
Total cost	1,690,255	127,279	722,237	116,084	202,569	45,515	80,809	2,984,748
Accumulated depreciation	-	(18,392)	(142,484)	(22,621)	(52,677)	(30,783)	-	(266,957)
Net book value	1,690,255	108,887	579,753	93,463	149,892	14,732	80,809	2,717,791
Purchases	-	3,193	130,405	22,973	25,040	1,082	97,420	280,113
Cost of sales	(639)	-	(1)	(709)	(2,033)		-	(3,382)
Capital payment	(5,993)	-	-	-	-	-	-	(5,993)
Consolidation of SC	30,988	43,945	276,754	29,330	35,972	712	18,374	436,075
Purchase Pricing Allocation	37,491	16,453	4,357	23,513	53,195	-	-	135,009
Transfers between accounts	-	40,450	105,513	2,506	1,191	2,209	(151,869)	-
Depreciation	-	(5,235)	(132,937)	(9,950)	(25,075)	(3,040)	-	(176,237)
Balances at March 31, 2015	1,752,102	207,693	963,844	161,126	238,182	15,695	44,734	3,383,376
Total cost	1,752,102	238,832	1,268,109	227,870	346,458	50,437	44,734	3,928,542
Accumulated depreciation		(31,139)	(304,265)	(66,744)	(108,276)	(34,742)		(545,166)
Net book value	1,752,102	207,693	963,844	161,126	238,182	15,695	44,734	3,383,376
Net book value:								
Historical cost	104,567	138,572	684,031	126,826	163,848	15,695	44,734	1,278,273
Increment	1,647,535	69,121	279,813	34,300	74,334	-	-	2,105,103
Average annual depreciation rates	-	3.27%	5.54%	7.54%	9.88%	12.11%	-	-

In thousands of reais, unless otherwise stated

Under the terms of certain Group borrowing agreements, property, plant and equipment totaling R$ 1,348,084 are pledged as collateral, of which R$ 849,892 refer to rural properties (25 153 hectares of land).

The Group capitalized finance charges of R$ 2,656 in the year ended March 31, 2015 (2014 - R$ 2,995). At the same year, the Company's property, plant and equipment includes assets under finance leases amounting to R$ 2,886 (2014 - R$ 2,989) in which risks and rewards of ownership of the assets, including effective control, have been transferred to the lessee.

13. Intangible assets

Contractual relationships have a defined useful life. Their amortization is calculated on the quantity of sugar cane harvested during the term of the agreement with the partner or supplier.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

	Company		Consolidated	
	2015	2014	2015	2014
Goodwill based on future profitability (i)	79,709	51,537	79,709	51,537
Goodwill based on future profitability - Mirtilo (ii)	115,798	115,798	115,798	115,798
Goodwill based on future profitability - SC	179,126	-	179,126	-
Software	19,497	15,320	19,497	15,320
Accumulated amortization	(11,544)	(7,270)	(11,544)	(7,270)
Rights on sugar cane contracts (iii)	12,330	16,598	12,330	16,598
Rights on electricity agreements (iv)	-	-	103,401	-
Other assets	1,364	74	2,224	934
	396,280	192,057	500,541	192,917

(i) Goodwill on the net assets of USL, whose operations were assumed by the Company.
(ii) Goodwill generated through the merger of Mirtilo;
(iii) Refers to the acquisition of rights on agreements for agricultural partnership and sugar cane supply (2,281 hectares with an exploration period from 2013 to 2017).
(iv) Refers to the fair value allocated under Bio's agreements for electricity supply, effective up to 2025.

In thousands of reais, unless otherwise stated

14. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost.

	Annual charges		Company		Consolidated	
Type	Rate	Index	2015	2014	2015	2014
In local currency						
Export Credit Note (NCE)	101.34%	CDI	815,024	328,880	815,024	328,880
Finame/BNDES automatic loans	3.22%	TJLP/fixed rate	260,595	102,308	260,595	102,308
FINEM	3.86%	TJLP/fixed rate	259,376	198,724	282,793	220,560
PRORENOVA	4.51%	TJLP	100,515	110,010	100,515	110,011
Securitized rural credits	4.58%	IGP-M	57,445	64,807	57,445	64,807
Rural credit	6.50%	Fixed rate	32,651	32,915	32,651	32,915
FINEP	4.00%	Fixed rate	24,254	-	24,254	-
Lease	9.75%	Fixed rate	839	1,867	839	1,867
Other securitized credits	3.00%	Fixed rate	57	61	57	61
Bill of credit (CCB)	7.70%	Fixed rate	-	15,264	-	15,265
Total in local currency			1,550,756	854,836	1,574,173	876,674
In foreign currency						
Pre-Export Financing (PPE)	2.88%	Foreign exchange variation	981,525	387,846	981,525	387,846
Export Credit Note (NCE)	4.46%	Foreign exchange variation	503,968	229,445	503,968	229,445
Advances on Exchange Contracts (ACCs)	1.16%	Foreign exchange variation	160,475	93,403	160,475	93,403
FINEM Indirect	6.70%	Currency basket	19,938	3,453	19,938	3,453
Total in foreign currency			1,665,906	714,147	1,665,906	714,147
TOTAL			3,216,662	1,568,983	3,240,079	1,590,821
Current			868,879	436,671	872,419	439,644
Noncurrent			2,347,783	1,132,312	2,367,660	1,151,177

Out of the total borrowings in local currency, R$ 201,139 refer to Export Credit Notes (NCEs) taken in reais and linked to swaps into US dollars (US$), thus being exposed to foreign exchange fluctuation.

With respect to borrowings in foreign currency, all operations have maintained their original characteristics, except for Advances on Foreign Exchange Contracts (ACCs) and NCEs amounting to R$ 261,003, as they are taken in US dollars and linked to swaps into reais, thus not exposed to foreign exchange fluctuation.

In thousands of reais, unless otherwise stated

Additionally, R$ 495,464 of the Export Prepayment contract (PPE) are linked to Libor swap contracts for a fixed rate.

At March 31, 2015, out of the Company's total debt, R$ 1,703,707 of the total aggregate balance of borrowings are guaranteed by assets, receivables and sureties.

Noncurrent borrowings have the following maturities:

	2015	
	Company	Consolidated
From 04/01/2016 to 03/31/2017	398,797	402,276
From 04/01/2017 to 03/31/2018	695,324	698,803
From 04/01/2018 to 03/31/2019	500,785	504,264
From 04/01/2019 to 03/31/2020	456,583	460,062
From 04/01/2020 to 03/31/2021	198,865	202,344
From 04/01/2021 to 02/28/2030	97,429	99,911
	2,347,783	2,367,660

Covenants

Some borrowings have certain contractual borrowing conditions (covenants) which had been fulfilled by the Company at March 31, 2015.

Securitized rural credits

The Company securitized debts with financial institutions through the purchase of National Treasury Notes (CTN). This securitized financing will be automatically settled on the maturity dates through the redemption of the CTNs, which are non-negotiable notes, exclusively intended for payment of this debt. The companies' disbursements during the 20 years in which this securitization is effective are limited to the annual payment of amounts equivalent to the application of variable percentages of between 3.8% and 4.96% per annum of the securitized amount, monetarily adjusted based on the General Market Price Index (IGP-M), limited to 9.5% per annum up to the annual payment date. This obligation is recorded in the financial statements based on the amount of future disbursements adjusted to present value.

In thousands of reais, unless otherwise stated

15. Trade accounts payable

	Company		Consolidated	
	2015	2014	2015	2014
Sugar cane	33,732	25,904	30,087	25,904
Materials, services and other	68,134	40,958	65,389	38,525
	101,866	66,862	95,476	64,429

Out of the total trade accounts payable, R$ 7,303 - Company (R$ 258 - Consolidated) refer to related parties, as detailed in Note 9.

The sugar cane harvest period, which generally occurs between April and December of each year, has a direct impact on the balance payable to sugar cane suppliers and providers of harvesting, loading and transport services.

16. Payables to Copersucar

Copersucar provided funds to companies during the period in which they were cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative in the market and transferred to the cooperative members, for short-term settlement, and from temporary cash surpluses arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses are related to provisions for contingencies recorded by the Cooperative under noncurrent liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company could be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arose from Federal VAT (IPI), whose constitutionality and legality had been challenged in court by the Cooperative, and from tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below.

In thousands of reais, unless otherwise stated

Company and Consolidated	2015	2014
REFIS - Copersucar - Restated by reference to the SELIC interest rate	107,971	84,415
Bill of Exchange - Restated by reference to the SELIC interest rate	79,797	69,316
Bill of Exchange - Onlending of funds not subject to charges	50,587	42,682
Provision for expenses with tax proceedings	43,269	11,641
Total	281,624	208,054
Current liabilities	(2,040)	(2,040)
Noncurrent liabilities	279,584	206,014

All the Company’s obligations with Copersucar are guaranteed by collateral signatures of Company officers. In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company remains liable for the payment of obligations, proportionate to its investment in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company was a cooperative member.

Copersucar has been served delinquency notices with respect to State VAT (ICMS) on fuel and industrial ethanol sales made up to December 31, 2008. The adjusted amount, calculated proportionately to the investment of the Company in the Cooperative, amounts to R$ 232,552. The Copersucar legal counsel assesses the outcome in these lawsuits as a risk of possible loss. Copersucar believes that it has strong arguments to successfully defend the fines imposed by the State Tax Authorities over these delinquency notices. These notices involve court fees and legal fees for the Company at an amount estimated by management of R$ 43,269. Management is currently discussing/reviewing with Copersucar the final amount to be indemnified for these expenses, but it does not expect a material difference in relation to the amount provisioned.

17. Equity

(a) Capital

At March 31, 2015, capital amounted to R$ 812,992 (R$ 737,200 at March 31, 2014) and was divided into 113,329,207 (113,000,000 at March 31, 2014) registered common shares, without par value.

In thousands of reais, unless otherwise stated

At the Special General Meeting held on July 31, 2014, the shareholders approved a capital increase of R$ 71,650 with capital investment reserve, without issue of new shares.

At the Special General Meeting held on October 31, 2014, the shareholders approved a capital increase of R$ 4,142 through issue of 329,207 new shares, as part of the acquisition of the 59.95% interest in SC.

(b) Treasury shares

For the year ended March 31, 2015, there was no repurchase of shares, only the sale of 247,965 treasury shares due to share purchase options exercised by directors of the Company (item (f) below), there remaining 409,675 treasury shares.

At March 31, 2015, the market value of these shares was R$ 15,854 (March 31, 2014 - R$ 20,387).

	Number	Average acquisition price*	Total
Treasury shares at March 31, 2014	657,640	18.00	11,839
Exercise of stock options	(247,965)	18.00	(4,464)
Treasury shares at March 31, 2015	409,675	18.00	7,375

* includes additional costs in acquisition - in reais

(c) Equity adjustments

- **Deemed cost**

  This corresponds to the deemed cost surplus of land, buildings and premises, equipment and industrial installations, vehicles and machinery, and agricultural implements. The amounts are recorded net of tax effects and their realization is based on the depreciation, write-off or sale of the related assets. The realized amounts are transferred to "Retained earnings".

- **Hedge accounting fair value**

  This refers to the results of outstanding derivative financial instruments that qualify for hedge accounting. The balance is reversed over time from equity to the results of operations, as the related transactions mature/are shipped.

(d) Legal and capital investment reserves

The legal reserve is set up annually with allocation of 5% of the profit for the year, not to exceed 20% of the capital. The purpose of the legal reserve is to protect the entity's capital, and it can only be used to offset losses and increase capital.

The capital investment reserve is aimed at funding investments in increasing production capacity and in several projects intended for improving processes.

At the Annual General Meeting held on July 31, 2014, the shareholders approved an additional allocation of R$ 118,353 to the capital investment reserve and a capital increase amounting to R$ 71,650.

Management has proposed a new allocation to this reserve at March 31, 2015 with the remaining balance of the net income for the year, to be approved, together with the related investment plan, at the next General Meeting. In addition, management has proposed the capitalization of the amount allocated to this reserve in prior years, which should be timely approved at a General Meeting since the corresponding investments have already been made.

(e) Dividends

Shareholders are entitled to receive a minimum dividend of 25% of the profit for the year, after the deduction of any accumulated deficit and the allocation to the legal reserve.

At the Annual General Meeting held on July 31, 2014, the shareholders approved an additional dividend distribution of R$ 8,342 (R$ 0.0742 per share), totaling a dividend distribution of R$ 40,405 (R$ 0.3595 per share) of the profit for the year ended March 31, 2014, which was paid on August 15, 2014.

In thousands of reais, unless otherwise stated

The mandatory minimum dividend was calculates as follows:

	2015	2014
Net income for the year	286,058	135,001
Setting up of legal reserve - 5%	(14,303)	(6,750)
Calculation basis for distribution of mandatory minimum dividends	271,755	128,251
Mandatory minimum dividends - 25%	67,939	32,063

(f) Stock option plan

The Stock Option Plan was approved and offered to the Company’s officers in 2009. The total number of common shares that may have options granted should not exceed 2% of the total common shares of the Company's capital and cannot exceed a maximum annual limit of 0.5% of its total capital shares.

The stock option plans granted and the changes in outstanding stock options for the year ended March 31, 2015 are as follows:

Plan	2nd Plan	3rd Plan	4th Plan	5th Plan	6th Plan	Total
Plan issue date	11/28/2011	12/12/2011	12/17/2012	12/16/2013	12/15/2014	
Limit date for exercise*	2018	2018	2019	2020	2021	
Stock options fair value (R$)	3,20 - 6,41	4,98 - 7,56	6,86 - 7,86	8,47 - 9,46	11,39 - 12,59	
Sotck options granted	140,400	418,538	391,726	380,812	338,088	1,669,564
Stock options exercised	(118,336)	(199,546)	(80,043)	-	-	(397,925)
Outstanding stock options	22,064	218,992	311,683	380,812	338,088	1,271,639
Exercise price	19.31	18.49	25.11	27.40	36.11	25.71

* The options under each one of the plans may be exercised on three occasions, namely: 1/3 after the second year as from the grant date, 1/3 after the third year as from the grant date, and 1/3 after the fourth year as from the grant date, and the maximum term for the exercise of all these stock options is established in each plan.

In the year ended March 31, 2015, the stock options exercised corresponded to 247,965 shares purchased for R$ 5,146.

The fair value attributed to these options was determined based on the Black & Scholes pricing model. The Company recognized a stock option expense of R$ 2,996 (2014 - R$ 2,297).

g) Capital reserve

This refers to mark-to-market valuation of the shares issued by Company at the moment of stock option exchange with noncontrolling shareholders.

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employees. The amount of profit sharing for the year ended March 31, 2015 and 2014, recorded as operating costs or expenses in the income statement (Company) totaled R$ 32,682 and R$ 28,261, respectively.

19. Income and social contribution taxes

Deferred taxes are recognized on respective tax losses, and corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences and/or tax losses, considering projections of future profitability prepared and based on internal assumptions and future economic scenarios which may, therefore, be subject to changes.

In thousands of reais, unless otherwise stated

(a) The income tax and social contribution balances are as follows:

	Company		Consolidated	
	2015	2014	2015	2014
Current assets - Prepayments				
. Income and social contribution taxes to be offset	64,278	33,473	64,633	34,237
Current liabilities - Current payables				
. Income and social contribution taxes payable	725	-	1,511	611
Deferred income and social contribution taxes				
Deferred tax assets				
. Income tax losses	43,319	11,683	43,319	11,683
. Accumulated social contribution tax losses	15,595	4,279	15,595	4,279
Taxes on temporary differences of:				
. Provision for contingencies	17,988	13,803	17,988	13,803
. Derivative financial instruments	197,515	54,077	197,515	54,077
. Profit sharing and bonus	5,035	1,018	5,035	1,018
. Provision for other obligations	18,461	3,958	18,461	3,958
. Other	1,921	1,411	1,921	1,411
	299,834	90,229	299,834	90,229
Deferred tax liabilities				
Taxes on temporary differences of:				
. Deemed cost increment of property plant and equipment	(189,950)	(262,165)	(194,682)	(629,327)
. Accelerated tax-incentive depreciation	(190,863)	(182,609)	(190,864)	(182,609)
. Foreign exchange variation	(118,299)	(41,289)	(118,299)	(41,289)
. Securitized financing	(17,400)	(17,414)	(17,400)	(17,414)
. Tax benefit on goodwill	(39,778)	(17,523)	(39,778)	(17,862)
. Present value adjustment	(3,298)	(4,561)	(3,298)	(4,561)
. Biological assets and rural produce (fair value variation)	5,163	(3,684)	5,163	(3,684)
. Derivative financial instruments	-	(352)	-	(352)
. Disposal of investment with deferred taxation	(27,104)	-	(27,104)	-
. Fair value PPA	-	-	(36,766)	-
. Other	(617)	(1,349)	(617)	(1,011)
	(582,146)	(530,946)	(623,645)	(898,109)
Noncurrent liabilities	(282,312)	(440,717)	(323,811)	(807,880)

The deferred tax assets and liabilities are presented net in the balance sheet, by company, when there is a legally enforceable right and the intention to offset them on the calculation of current taxes and when related to the same tax authority.

The recovery of all the deferred tax credits, indicated by the projections of taxable income approved by management, including expected realization of temporary differences, is estimated as follows:

In thousands of reais, unless otherwise stated

Consolidated Years ended March 31:	Estimated realizable value
Crop 15/16	120,907
Crop 16/17	33,797
Crop 17/18	74,977
Crop 18/19	47,271
Crop 19/20	19,390
From 20/21 crop onwards	3,492
	299,834

The deferred income tax and social contribution liabilities are realized mainly through the depreciation and disposal of the property, plant and equipment items that gave rise to them. The realization of this liability is estimated at the average rate of 15% per year, according to the depreciation rates of the respective property, plant and equipment items, except for the deferred tax liabilities on the surplus of land, which will be realized if sold. In addition, the period for settlement of the securitized loans, which mature through 2021, impacts the period for recovery of the deferred income tax and social contribution assets.

(b) Reconciliation of Income and social contribution taxes

		Company		Consolidated
	2015	2014	2015	2014
Pretax income	307,870	189,017	313,838	188,561
Current income and social contribution taxes at statutory rates (34%)	(104,676)	(64,266)	(106,705)	(64,111)
Adjustments for calculation of effective rate:				
. Equity pickup	64,875	16,040	10,909	(5,591)
. Permanent exclusions/(additions), net	6,761	(5,912)	9,617	(5,912)
. Gain on fair value remeasurement of prior investment (step acquisition)	10,803	-	10,803	-
. Calculation adjustment of subsidiary whose profit is computed as a percentage of the its gross revenue	-	-	48,399	21,932
. Profit in inventories	-	-	(47)	-
. Other	167	-	1,605	-
. Tax incentives	258	122	(102)	122
Income and social contribution taxes	(21,812)	(54,016)	(25,521)	(53,560)
Current income and social contribution taxes	(12,383)	(5,107)	(19,953)	(8,918)
Deferred income and social contribution taxes	(9,429)	(48,909)	(5,568)	(44,642)
Effective rate of income and social contribution taxes	7.1%	28.6%	8.1%	28.4%

20. Commitments

The Group assumes various commitments in the ordinary course of its business. Significant commitments to be disclosed in these financial statements are set out as under:

Riparian forests and land for legal reserve

The Group has uncultivated areas covered by preserved native vegetation in the process of regeneration or enrichment intended to ensure the ecological balance of the environment. Such areas, under current environmental law, correspond to riparian forests and areas destined to the so-called "legal reserve”. These legal reserve areas are strictly observed and preserved upon sugar cane plantation.

The Company has areas that are already compliant with the current legislation or in process of regularization, within the terms established by the current legislation, and therefore it is not on default on such commitment. The amounts to be invested to comply with these obligations, the manner in which they will be fulfilled and the time required for their performance are not currently measurable. Investments in preservation areas, when made, are recorded in the Group's property, plant and equipment.

Ethanol supply agreement

Under a sale and purchase agreement, the Company has agreed to supply industrial ethanol to Mitsubishi Corporation for 30 years, beginning with the 2008/2009 crop, in a proportion of 30% of all UBV's ethanol production, under market conditions. The agreement has a clause that prescribes that it is automatically renewable for 10 years.

Sureties granted

In addition, the Company is the guarantor of borrowings contracted by UBV totaling R$ 226,655.

In thousands of reais, unless otherwise stated

Electricity supply

The Company and Bio have commitments for sale of the surplus of their production through the Electric Energy Trade Chamber (CCEE) both in the regulated market (auctions) and in the free market (sales contracts with third parties).

21. Provision for contingencies

Provisions are recognized when the Group has a present legal or constructive obligation arising from past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably measured. Provisions are set up, reviewed and adjusted to reflect management's best estimate at the reporting dates.

21.1 Probable losses

The Group, based on legal counsel's assessment of probable losses, has the following provisions for contingencies (amounts monetarily restated):

	Company						
	2014	Merger of SC	Additions	Reversals	Use	Restatements	2015
Tax	3,913	-	4,812	(156)	(117)	173	8,625
Civil and environmental	16,024	1,621	4,165	(6,453)	(11,372)	809	4,794
Labor	36,712	4,190	20,255	(10,249)	(16,715)	6,748	40,941
Total	56,649	5,811	29,232	(16,858)	(28,204)	7,730	54,360
Judicial deposits	31,969	1,651	16,018	-	(25,194)	2,143	26,587

	Consolidated						
	2014	Consolidation of SC	Additions	Reversals	Use	Restatements	2015
Tax	3,913		5,880	(156)	(117)	173	9,693
Civil and environmental	16,024	650	4,374	(6,453)	(11,581)	1,779	4,793
Labor	36,712	3,829	20,821	(10,304)	(17,001)	6,887	40,944
Total	56,649	4,479	31,075	(16,913)	(28,699)	8,839	55,430
Judicial deposits	31,969	1,434	17,587	-	(25,328)	2,265	27,927

Judicial deposits are monetarily restated and reported in noncurrent assets.

The nature of the main lawsuits at March 31, 2015 included in the above provisions is as follows (Company and consolidated):

Tax proceedings:
These refer to: (a) taxes whose payment is being challenged in court by the Group; the amounts challenged have been deposited in court; and (b) success fees payable to legal counsel for defenses in tax lawsuits.

Civil and environmental proceedings:
These refer to: (i) general indemnities; (ii) redress for damages caused by the burning of sugar cane straw; and (iii) environmental issues.

Labor claims:
These refer mainly to claims for: (i) overtime; (ii) commuting hours; (iii) indemnity for elimination of the break between shifts; (iv) hazardous duty and health hazard premiums; (v) refund of payroll deductions, such as union dues; (vi) night shift premium; and (vii) recognition of employment relationship with the consequent payment of the 13th monthly salary and vacation pay, plus 1/3 vacation bonus.

21.2 Possible losses

The Group is party to various lawsuits involving tax, environmental and civil matters that were assessed by legal counsel as possible losses. The nature and the amounts involved in these lawsuits are as follows:

In thousands of reais, unless otherwise stated

Tax proceedings:

Consolidated						Stage
Nature		No. of proceedings	Adminis-trative	Trial court	Higher court	Total
(i)	Social security contributions	14	121,815	-	14,128	135,943
(ii)	Calculation of IRPJ/CSLL	10	132,562	1,806	-	134,368
(iii)	IRPJ losses	6	1,057	-	-	1,057
	CSLL losses	6	837	144	-	981
	Offset of credits - PIS	5	74	-	2,378	2,452
	Offset of Federal taxes	7	56,294	-	-	56,294
(iv)	Other tax proceedings	23	8,671	2,130	447	11,248
		71	321,310	4,080	16,953	342,343

(i) These refer to the levy of Social Security Tax (INSS) on export revenue, under the allegation that exports carried out through intermediation of a cooperative are not included in the exemption established in article 149, paragraph 2, of the Federal Constitution.

(ii) These refer to exclusion of expenses on securitized financing, as well as expenses arising from the benefit of accelerated tax-incentive depreciation from the Corporate Income Tax (IPRJ) and Social Contribution on Net Profit (CSLL) calculation basis.

(iii) The proceedings refer to requests to offset IRPJ, CSLL, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) and other federal taxes as a result of overpayments and/or tax losses and export credits whose offset has been rejected by the Brazilian IRS (RFB) and which are pending judgment of the objections against the decision/voluntary appeals.

(iv) The proceedings refer to disputes involving other tax cases, including, among others, the contribution to the National Service for Industrial Training (SENAI) and the fee to the National Department of Mineral Research (DNPM), whose likelihood of loss is assessed as "possible".

Civil and environmental proceedings:

Consolidated						Stage
Nature	No. of proceedings	Adminis-trative	Trial court	Lower court	Higher court	Total
Environmental	23	531	1,942	267	-	2,740
Civil						
Indemnities	22	-	7,084	117	32	7,233
Review of contracts	11	-	235	-	-	235
Rectification of area and land registry	1	-	-	-	-	-
Permits for obtaining mineral research licenses	5	-	-	-	-	-
Other civil proceedings	12	-	745	-	-	745
Labor						
Enforcement notice	12	37	-	-	-	37
	86	568	10,006	384	32	10,990

22. Derivative financial instruments and risk management

The Company is exposed to market risks, including foreign exchange risk, commodity price volatility risk, interest rate risk, credit risk and liquidity risk. Company management believes risk management is critical to: (i) continuous monitoring of exposure levels relating to the sales volumes contracted; (ii) estimates of the value of each risk based on the established limits of foreign exchange exposure and sugar sales prices; and (iii) future cash flow forecasts and the definition of approval authority levels for taking out financial instruments designed to protect product prices and to hedge sales performance against foreign exchange fluctuation and price volatility.

Derivative financial instruments are taken out exclusively for the purpose of pricing and hedging the Company’s sugar and ethanol export transactions against foreign exchange risk and sugar price fluctuation in the international market. No transactions with financial instruments are carried out for speculative purposes or to hedge financial assets or liabilities.

In thousands of reais, unless otherwise stated

22.1 Market risks

(a) Foreign exchange risk

Management has established a policy that requires Group companies to manage their foreign exchange risk so as to reduce the potential impact entailed by this currency mismatch.

Currency forwards contracts, Non-Derivable Forwards (NDF) and options strategy are used to manage foreign exchange risk. The Group's financial risk management policy is to hedge the greatest possible volume of expected cash flows, mainly those from export sales.

Assets and liabilities subject to foreign exchange fluctuation

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated balance sheet at March 31, 2015:

Consolidated	R$	Thousands of US$ equivalent
Current assets		
Cash and cash equivalents (banks - demand deposits)	190,576	59,406
Trade accounts receivable	62,935	19,618
Derivative financial instruments	221,797	69,139
Total assets	475,308	148,163
Liabilities		
Current liabilities		
Borrowings	461,544	143,900
Derivative financial instruments	232,711	72,554
Noncurrent liabilities		
Borrowings	1,204,362	375,495
Total liabilities	1,898,617	591,949
Subtotal assets (liabilities)	(1,423,309)	(443,786)
(-) Borrowings linked to exports - ACC and PPE (*)	1,645,968	513,178
Net exposure - assets	222,659	69,392

These assets and liabilities were restated and recorded in the financial statements at March 31, 2015, at the exchange rate in effect on that date, of R$3.2080 per US$1.00 for assets and R$3.2074 per US$1.00 for liabilities.

(*) The balances of borrowings in foreign currency refers mainly to loans in the format of Advances on Foreign Exchange Contracts (ACCs), Export Credit Notes (NCEs) and Pre-Export Financing (PPE), which are linked to product exports. As the above agreements will be settled through product exports, management understands that these transactions represent a natural hedge and therefore, foreign exchange fluctuation will only have temporary accounting effects on the financial statements, without a corresponding effect on cash flows.

(b) Commodity price volatility risk

The Company is exposed to the risk of changes in the commodity prices of manufactured products such as sugar and ethanol. At March 31, 2015, the prices of 770,672 tons of sugar had been determined with commercial partners for future delivery scheduled as from April 2015, priced at an average of 17.20 ¢/lb (US dollar cents per pound weight).

(c) Cash flow or fair value interest rate risk

The Group obtains borrowings at floating rates. Regarding borrowings in local currency, the risk of fluctuation in interest rates is mitigated naturally since investments are all remunerated at floating rates. With respect to borrowings in foreign currency, the Group believes that interest rates react to changes in the economy so that, when they increase, generally the economy is booming, thus allowing the Group to stipulate sales prices above the historical average.

(d) Market risk sensitivity analysis

The table below presents a sensitivity analysis on the effects of changes in the fair value of financial instruments that are not designated for hedge accounting. This analysis takes into consideration management expectations with respect to risk exposure and the future scenario projected.

In thousands of reais, unless otherwise stated

Consolidated		Probable scenarios: Average rate/price	Probable scenarios: Impact on accounting P&L and cash flow	Possible scenarios: Impact with variation of 25%	Possible scenarios: Impact with variation of 50%
Foreign currency variation	(a)	5%	222	1,111	2,222
Variation in price of products sold	(b)	5%	55	273	546
Interest curve variation	(c)	10 bps	342	550	897

(a) The sensitivity analysis of foreign exchange variations considers the effects of an increase or decrease of 25% and 50% between the parity Real/US dollar on its financial instruments.

(b) The sensitivity analysis of variations in commodity prices considers the effects of an increase or decrease of 25% and 50% in the commodity price on its financial instruments. The Company is exposed to variations in the price of sugar negotiated through futures contracts and options in the New York Intercontinental Exchange (ICE Futures US).

(c) The sensitivity analysis of variations in interest curves considers the effects of an increase or decrease of 25bps and 50bps (basis points) in the pricing curve of the derivative instruments. The exposure to rates refers exclusively to variations in the CDI curve.

(e) Derivative financial instruments

The Company opted for hedge accounting to recognize part of its derivative financial instruments. The instruments elected were sugar, ethanol and foreign currency (US dollar) derivatives, which cover sales of the 2014/2015 and 2015/2016 crops, and were designated as cash flow hedges of highly probable forecast transactions (future sales).

In order to apply hedge accounting, prospective tests were carried out to verify effectiveness. These tests showed that the hedge-designated instruments qualify as highly effective hedges against the effects of price fluctuations on the value of future sales.

In the case of foreign exchange hedges, the derivatives were designated as a cash flow hedge in respect of future sales in foreign currency. These hedges were carried out upon contracting of Non-Deliverable Forwards (NDFs) and option strategies with leading financial institutions.

In thousands of reais, unless otherwise stated

In the case of sugar hedges, the derivatives were designated as a cash flow hedge in respect of future sales of sugar. These transactions are carried out on the ICE Futures US and with leading financial institutions through over-the-counter contracts.

The balances of assets and liabilities at March 31, 2015 and 2014 relating to transactions with derivative financial instruments and their maturities are as follows:

	2015			
Company and Consolidated	**Amount/ contracted volume**	**Average rate/price**	**Notional amount - R$**	**Fair value - R$**
In current assets - Gain / (loss)				
Margin deposit				20,674
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sales commitments	605,565	16.64	712,553	171,830
. Purchase commitments	55,679	15.50	61,889	(12,831)
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	87,431	18.38	2,589	466
. Bidding position in put options	180,349	15.88	11,807	44,204
. Written position in call options	392,957	17.64	11,913	(2,626)
Merchandise futures contract - Ethanol - Commodities exchange				
. Sales commitments	39,120	1,250.90	48,939	156
. Purchase commitments	18,900	1,309.80	24,755	(76)
TOTAL CURRENT ASSETS				221,797

	2015			
Company and Consolidated	**Amount/ contracted volume**	**Average rate/price**	**Notional amount - R$**	**Fair value - R$**
In current liabilities - (Gain) / loss				
Flexible currency option contracts - Dollar				
. Bidding position in put options	8,400	3.1812	26,722	(880)
. Bidding position in call options	8,400	3.4193	28,722	1,815
NDF - US Dollar - Over the Counter				
. Sales commitments	239,706	2.7711	664,253	123,855
		Notional amount - US$	Notional amount - R$	Fair value - R$
Swap contracts - Interest - Over the Counter		411,763	1,152,956	107,921
TOTAL CURRENT LIABILITIES				232,711

In thousands of reais, unless otherwise stated

Company and Consolidated	Amount/ contracted volume	Average rate/price	Notional amount - R$	Fair value - R$
				2014
In current assets - Gain / (lossses)				
Margin deposit				28,673
NDF - Sugar #11 - Over the Counter				
. Sales commitments	2,540	18.70	2,370	65
Flexible currency option contracts - Dollar				
. Bidding position in call options	3,704	2.3586	8,736	9
. Bidding position in put options	52,086	2.4586	128,058	6,009
. Written position in call options	50,580	2.4607	128,058	(1,203)
TOTAL CURRENT ASSETS				33,553

Company and Consolidated	Amount/ contracted volume	Average rate/price	Notional amount - R$	Fair value - R$
				2014
In current liabilities - (Gain) / loss				
Merchandise futures contracts - Sugar #11 - Commodities Exchange				
. Sales commitments	416,611	17.37	361,067	15,115
. Purchase commitments	6,350	16.73	5,298	(345)
Merchandise options contracts - Sugar #11 - Commodities Exchange				
. Bidding position in call options	27,940	19.18	26,739	(1,363)
. Bidding position in put options	120,904	17.25	104,056	(3,328)
. Written position in call options	178,308	19.07	169,609	8,437
. Written position in put options	29,210	16.83	24,522	623
Merchandise futures contract - Ethanol - Commodities exchange				
. Sales commitments	9,000	1,150.08	10,351	15
NDF - US Dollar - Over the Counter				
. Sales commitments	150,531	2.3245	349,908	3,763
. Purchase commitments	17,972	2.3699	42,592	1,921
		Notional amount - US$	Notional amount - R$	Fair value - R$
Swap contracts - Interest - Over the Counter		304,483	599,133	31,560
TOTAL CURRENT LIABILITIES				56,398

Margin deposit balances refer to funds maintained in current accounts with brokers to cover the initial margins and variance established by the Commodities Exchange in which the contracts are executed, with the objective of guaranteeing open contracts and net remittances in relation to daily adjustments resulting from fluctuations in contract prices in the futures and options market.

The potential results of futures, options and forward contracts refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments in the corresponding categories.

22.2 Credit risk

Credit risk management consists of contracting only with top tier financial institutions which meet the Group's risk assessment criteria. The Group controls, on a monthly basis, its exposure in derivatives and financial investments, using maximum concentration criteria based on the rating of the financial institution.

With respect to customers default risk, the Group assesses the credit risk associated with each customer annually, and whenever a new customer is included in its base, establishing an individual credit limit based on the risk identified.

22.3 Liquidity risk

The Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operating needs.

Surplus cash held by the operating entities over and above the amount required for working capital management is invested in interest-earning current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margins as determined by the cash flow forecasts. At March 31, 2015, the Group had financial investments consisting mainly of repurchase agreements backed by government securities, and fixed-income funds, indexed to the Interbank Deposit Certificate (CDI) interest rate, with high liquidity and active trading in the market, that are expected to readily generate cash inflows for managing liquidity risk.

In thousands of reais, unless otherwise stated

The following table analyzes the Group's financial liabilities, by maturity ranges, corresponding to the remaining period in the balance sheet to the contractual maturity date.

Company	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At March 31, 2015					
Borrowings	868,879	398,797	1,652,692	296,294	3,216,662
Derivative financial instruments	232,711	-	-	-	232,711
Trade accounts payable	101,866	-	-	-	101,866
Acquisition of investment	17,507	17,065	34,860	26,890	96,322
Other liabilities	23,225	10,927	-	-	34,152
	1,244,188	426,789	1,687,552	323,184	3,681,713
At March 31, 2014					
Borrowings	436,671	376,562	626,557	129,193	1,568,983
Derivative financial instruments	56,398	-	-	-	56,398
Trade accounts payable	66,862	-	-	-	66,862
Acquisition of investment	10,725	-	-	-	10,725
Other liabilities	17,289	6	-	-	17,295
	587,945	376,568	626,557	129,193	1,720,263

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At March 31, 2015					
Borrowings	872,419	402,276	1,663,129	302,255	3,240,079
Derivative financial instruments	232,711	-	-	-	232,711
Trade accounts payable	95,476	-	-	-	95,476
Acquisition of investment	17,507	17,065	34,860	26,890	96,322
Other liabilities	29,484	11,380	-	-	40,864
	1,247,597	430,721	1,697,989	329,145	3,705,452
At March 31, 2014					
Borrowings	439,644	379,505	635,387	136,285	1,590,821
Derivative financial instruments	56,398	-	-	-	56,398
Trade accounts payable	64,429	-	-	-	64,429
Acquisition of investment	10,725	-	-	-	10,725
Other liabilities	17,290	436	-	-	17,726
	588,486	379,941	635,387	136,285	1,740,099

In thousands of reais, unless otherwise stated

22.4 Capital management

The Group objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal target capital structure to reduce the cost of capital. In order to maintain or adjust its capital structure, the Group may revise the policy for payment of dividends, return capital to shareholders, issue new shares, or sell assets to reduce its indebtedness, for example.

Consistent with others in the industry, the Group monitors capital on the basis of net debt/EBITDA ratio. The Group considers ideal a ratio of up to 3.5, i.e., where net debt corresponds to 3.5 times EBITDA.

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

			Company
Assets as per balance sheet	Assets measured at fair value through P&L	Derivatives for hedging purposes	Total
At March 31, 2015			
Cash and cash equivalents	989,690	-	989,690
Short-term investments	478	-	478
Trade accounts receivable	142,162	-	142,162
Derivative financial instruments	20,674	201,123	221,797
Transactions with related parties	1,280	-	1,280
Other assets, except prepayments	3,091	-	3,091
	1,157,375	201,123	1,358,498
At March 31, 2014			
Cash and cash equivalents	542,917	-	542,917
Trade accounts receivable	61,392	-	61,392
Derivative financial instruments	28,673	4,880	33,553
Transactions with related parties	1,926	-	1,926
Other assets, except prepayments	5,426	-	5,426
	640,334	4,880	645,214

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				Company
Assets as per balance sheet	Liabilities measured at fair value through P&L	Derivatives for hedging purposes	Liabilities at amortized cost	Total
At March 31, 2015				
Borrowings	24,254	-	3,192,408	3,216,662
Derivative financial instruments	-	232,711	-	232,711
Trade accounts payable	-	-	101,866	101,866
Acquisition of investment	-	-	96,322	96,322
Other liabilities	-	-	34,152	34,152
	24,254	232,711	3,424,748	3,681,713
At March 31, 2014				
Borrowings	64,807	-	1,504,176	1,568,983
Derivative financial instruments	-	56,398	-	56,398
Trade accounts payable	-	-	66,862	66,862
Acquisition of investment	-	-	10,725	10,725
Other liabilities	-	-	17,295	17,295
	64,807	56,398	1,599,058	1,720,263

			Consolidated
Assets as per balance sheet	Assets measured at fair value through P&L	Derivatives for hedging purposes	Total
At March 31, 2015			
Cash and cash equivalents	1,020,112	-	1,020,112
Financial investments	5,723		5,723
Trade accounts receivable	164,366	-	164,366
Financial investments	5,723	-	5,723
Derivative financial instruments	20,674	201,123	221,797
Other assets, except prepayments	3,020	-	3,020
	1,219,618	201,123	1,420,741
At March 31, 2015			
Cash and cash equivalents	551,359	-	551,359
Trade accounts receivable	73,698	-	73,698
Derivative financial instruments	28,673	4,880	33,553
Transactions with related parties	1,925	-	1,925
Other assets, except prepayments	5,430	-	5,430
	661,085	4,880	665,965

In thousands of reais, unless otherwise stated

				Consolidated
Assets as per balance sheet	**Liabilities measured at fair value through P&L**	**Derivatives for hedging purposes**	**Liabilities at amortized cost**	**Total**
At March 31, 2015				
Borrowings	24,254	-	3,215,825	3,240,079
Derivative financial instruments	-	232,711	-	232,711
Trade accounts payable	-	-	95,476	95,476
Acquisition of investment	-	-	96,322	96,322
Other liabilities	-	-	40,864	40,864
	24,254	232,711	3,448,487	3,705,452
At March 31, 2014				
Borrowings	64,807	-	1,526,014	1,590,821
Derivative financial instruments	-	56,398	-	56,398
Trade accounts payable	-	-	64,429	64,429
Acquisition of investment	-	-	10,725	10,725
Other liabilities	-	-	17,726	17,726
	64,807	56,398	1,618,894	1,740,099

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There is no history of significant default in the Group.

23.2 Fair value

For measuring and determining fair value, the Company uses various methods including market approaches, of P&L or cost, in order to estimate the value that market participants would use to price the asset or liability. Financial assets and liabilities carried at fair value are classified and disclosed within the following fair value hierarchy levels:

Level 1 - Quoted prices (unadjusted) in active, liquid and visible markets, for identical assets and liabilities that are readily available at the measurement date;

Level 2 - quoted prices (which may be adjusted or not) for similar assets or liabilities in active markets; and

In thousands of reais, unless otherwise stated

Level 3 - Assets and liabilities whose prices do not exist, or whose prices or valuation techniques are supported by a small, nonexistent or illiquid market and unobservable market inputs.

	2015		2014	
As per balance sheet	**Level 1**	**Level 2**	**Level 1**	**Level 2**
At March 31, 2015				
Assets - Derivative financial instruments				
Sugar cane options contract	-	42,044	-	-
Sugar cane futures contract	158,999	-	-	-
Ethanol futures contract	80	-	-	-
Flexible currency options	-	-	-	4,815
Forward contracts - commodities	-	-	-	65
	159,079	42,044	-	4,880
Liabilities - Derivative financial instruments				
Flexible currency options	-	935	-	-
Forward contracts - exchange	-	123,855	-	5,684
Swap contracts	-	107,921	-	31,560
Ethanol futures contract	-	-	15	-
Sugar cane futures contract	-	-	14,770	-
Sugar cane options contract	-	-	-	4,369
	-	232,711	14,785	41,613

Futures and Options in the ICE

The fair value of futures negotiated in the New York - Intercontinental Exchange (ICE Futures US) is calculated by the difference between the price of the derivative in the contract and the market closing price on the base date, obtained from quotations in the active market, and reconciled to creditor or debtor balances with the brokers. The fair value of options traded in the ICE is obtained from quotations in the market.

Foreign exchange options

The fair values of foreign exchange options are obtained using the “Black & Scholes” method, which is based on market data, specifically the DI and DDI interest curves published by the BM&F.

Forward contracts

The fair values of forward contracts, both for foreign exchange and sugar, contracted in the over-the-counter market with first-tier banks, are calculated using the discounted future cash flow method, based on observable market inputs, specifically the DI and DDI interest curves published by the BM&F, PTAX published by the Central Bank of Brazil (BACEN), and prices of sugar futures in the ICE.

Other financial assets and liabilities
The carrying amounts of trade accounts receivables, notes receivable, trade accounts payables and notes payable, less impairment loss, or present value adjustment, when applicable, are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The book value and the fair value of borrowings are similar.

24. Segment information (consolidated)

Management has determined the Group's operating segments based on the reports used for strategic decisions, which are reviewed by the main decision-makers, namely: the Executive Board, the CEO and the Board of Directors.

The analyses are made by segmenting the business based on the products sold by the Group, into the following segments:

(i) Sugar;
(ii) Ethanol;
(iii) Electricity;
(iv) Real estate ventures; and
(v) Other products, which includes operations related to production and sale of ribonucleic acid (sodium salt) and other products or byproducts of lesser importance.

Certain events that took place over the year ended March 31, 2015 resulted in the strategic repositioning of Vale do Mogi and evidence the development of real estate activity as its core business. Among these events, the following are to be highlighted: (a) the establishment of independent management and own operational structure; (b) the launch of real estate ventures; and (c) the additional payment of plots of land by the Company in Vale do Mogi.
The operating segment performance is analyzed based on the P&L by product, focusing on profitability. The operating assets related to these segments are located in Brazil only.

In thousands of reais, unless otherwise stated

Consolidated P&L by segment

	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment and PPA	Total
							2015
Net revenue	1,018,483	678,994	123,480	30,389	72,219	(7,521)	1,916,044
Cost of sales	(705,323)	(525,907)	(16,902)	(5,467)	(54,743)	(52,981)	(1,361,323)
Mark-to-market of sugar cane plantation	-	-	-	-	-	(9,215)	(9,215)
Gross profit	313,160	153,087	106,578	24,922	17,476	(69,717)	545,506
Gross margin	30.75%	22.55%	86.31%	82.01%	24.20%	-	28.47%
Selling expenses	(74,164)	(9,959)	(1,364)		(262)	-	(85,749)
Other operating expenses	-	-	-	-	-	(4,357)	(4,357)
Operating income (loss)	238,996	143,128	105,214	24,922	17,214	(74,074)	455,400
Operating margin	23.47%	21.08%	85.21%	82.01%	23.84%	-	23.77%
Other income and expenses not by segment	-	-	-	-	-	-	(167,083)
Net income for the year	-	-	-	-	-	-	288,317

	Sugar	Ethanol	Electricity	Real estate ventures	Other products	Not by segment and PPA	Total
							2014
Net revenue	796,177	553,816	37,783	15,829	132,012	(1,942)	1,533,675
Cost of sales	(539,074)	(400,514)	(10,798)	(13,201)	(125,465)	(920)	(1,089,972)
Mark-to-market of sugar cane plantation	-	-	-	-	-	916	916
Gross profit	257,103	153,302	26,985	2,628	6,547	(1,946)	444,619
Gross margin	32.29%	27.68%	71.42%	16.60%	4.96%	-	28.99%
Selling expenses	(54,054)	(18,998)	(610)	-	(231)	-	(73,893)
Other operating expenses	-	-	-	-	-	(126,892)	(126,892)
Operating income (loss)	203,049	134,304	26,375	2,628	6,316	(128,838)	243,834
Operating margin	25.50%	24.25%	69.81%	16.60%	4.78%	-	15.90%
Other income and expenses not by segment	-	-	-	-	-	-	(108,833)
Net income for the year	-	-	-	-	-	-	135,001

In thousands of reais, unless otherwise stated

Consolidated operating assets by segment

The main operating assets of the Group were segregated by segment based on the cost centers into which they are allocated and/or the apportionment criterion that takes into consideration the production of each product in relation to total production. This allocation could, therefore, vary from one year to another.

						2015
	Sugar	Ethanol	Electricity	Real estate ventures	Other unallocated products	Total
Trade accounts receivable	50,322	61,706	3,230	8,902	40,206	164,366
Inventory items	81,296	127,703	-	10,322	7,729	227,050
Biological assets	550,146	386,095	-	-	-	936,241
Property, plant and equipment	1,911,574	1,339,385	120,359	-	12,058	3,383,376
Intangible assets	233,364	163,776	103,401	-	-	500,541
Total assets allocated	2,826,702	2,078,665	226,990	19,224	59,993	5,211,574
Other unallocated assets	-	-	-	-	1,957,350	1,957,350
Total	2,826,702	2,078,665	226,990	19,224	2,017,343	7,168,924

						2014
	Sugar	Ethanol	Electricity	Real estate ventures	Other unallocated products	Total
Trade accounts receivable	16,753	27,193	523	11,793	17,436	73,698
Inventory items	57,160	49,934	-	-	18,354	125,448
Biological assets	359,807	236,502	-	-	-	596,309
Property, plant and equipment	1,590,914	1,045,707	67,800	-	13,370	2,717,791
Intangible assets	116,404	76,513	-	-	-	192,917
Total assets allocated	2,141,038	1,435,849	68,323	11,793	49,160	3,706,163
Other unallocated assets	-	-	-	-	1,332,233	1,332,233
Total	2,141,038	1,435,849	68,323	11,793	1,381,393	5,038,396

Since the decision-makers analyze liabilities on a consolidated basis, information on liabilities is not reported by segment.

25. Revenues

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities.

(i) Sales of products and services

The Group sells sugar, ethanol, electricity, ribonucleic acid, sugar cane bagasse, among others. Sales of products are recognized whenever the Company has delivered products to the customer. The delivery is not made until: (i) the products have been sent to a local specified; (ii) the loss risks have been transferred to the customer; (iii) the customer has accepted the products according to the sale contract; and (iv) the acceptance provisions have been agreed to, or the Group has objective evidence that all criteria for acceptance have been met.

The Group renders planting, mechanization and logistics services. These services are priced according to the time incurred and materials used, and are recognized as they occur.

(ii) Sale of plots of land and subdivisions (real estate ventures)

Sales revenue and cost of land inherent to the development are allocated to profit and loss (P&L) to the extent that infrastructure work progresses given that the transfer of risks and rewards occurs continuously. In these sales (undeveloped plots) the following procedures are observed:

(i) The percentage of cost incurred in relation to its total budgeted cost is calculated. This percentage is applied on revenue from plots and units sold, adjusted in accordance with contractual sale conditions;

(ii) The sales revenue recognized that is higher than that effectively received from customers is recorded in current or noncurrent assets; and

(iii) The amounts received in relation to the sale of plots that are higher than the amounts recognized in revenue are recorded under the heading "Advances from customers".

In credit sales of land with completed infrastructure projects, revenue is recognized when the sale is made, regardless of the receipt of the contractual amount, with revenues measured at the fair value of the consideration received and receivable. The Company takes into consideration the present value adjustment to the amounts receivable recorded.

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	2015	2014	2015	2014
Gross sales revenue				
Local market	758,108	566,579	921,042	606,946
Foreign market	1,048,881	953,089	1,104,814	953,089
Gains (losses) on derivatives	(14,692)	25,770	(19,731)	25,770
	1,792,297	1,545,438	2,006,125	1,585,805
Purchase Pricing Allocation effects - Electricity	-	-	(7,521)	(1,942)
	1,792,297	1,545,438	1,998,604	1,583,863
Sales taxes, contributions and deductions	(70,696)	(47,431)	(82,560)	(50,188)
	1,721,601	1,498,007	1,916,044	1,533,675

This refers to PPA amortization deriving from acquisition of SC, as detailed in Note 10.7.1.

In thousands of reais, unless otherwise stated

26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

Costs and expenses by nature:	Company		Consolidated	
	2015	2014	2015	2014
Raw material and material for use and consumption	586,574	497,731	564,666	461,099
Personnel expenses	227,911	193,394	238,009	193,518
Depreciation and amortization (including harvested biological assets)	453,812	304,898	474,847	306,089
Third-party services	124,973	117,465	131,162	117,527
Spare parts and maintenance services	50,445	44,109	53,432	44,134
Litigation	12,918	16,903	13,647	16,903
Change in fair value of biological assets	27,562	(915)	31,029	(915)
Materials for resale	21,627	71,301	25,096	75,430
Sale of land	-	-	5,467	13,232
Other expenses	63,666	55,364	63,379	49,485
	1,569,488	1,300,250	1,600,734	1,276,502

Classified as:	Company		Consolidated	
	2015	2014	2015	2014
Cost of sales	1,353,991	1,113,811	1,370,538	1,089,056
Selling expenses	79,721	73,629	85,749	73,893
General and administrative expenses	135,776	112,810	144,447	113,553
	1,569,488	1,300,250	1,600,734	1,276,502

*“Personnel expenses” include expenses with the supplementary pension plan intended for all employees and management, which is characterized as a defined contribution plan. The amounts for the periods ended March 31, 2015 and 2014 were R$1,922 and R$1,517, respectively, in the Company.

In thousands of reais, unless otherwise stated

27. Other income (expenses), net

	Company		Consolidated	
	2015	2014	2015	2014
Gain on remeasurement of prior investment in SC	31,772	-	31,772	-
Provision for expenses with employee benefits	(11,029)	-	(11,029)	-
Tax loss of subsidiary used in REFIS	7,097	-	7,097	-
Penalty for termination of service agreement	(1,280)	4,076	(1,280)	4,076
Review of tax credits	(72)	-	(548)	-
Gain (loss) on disposal of property, plant and equipment	(102)	2,906	(26)	2,902
Gain (loss) on sale of scrap	1,883	909	2,026	909
Lease agreements	884	(203)	1,852	(203)
Gain on acquisition of rural debt bonds	453	308	453	308
Indemnities of agricultural partnership agreements	553	4,207	553	4,207
Gain on investiment sold - ABV (Note 10)	79,717	-	79,717	-
Provision for obsolescence	207	-	207	-
Recoveries with agricultural partnership agreements	-	-	181	-
Gain due to change in investment regarding CTC	-	-	7,055	-
Compensation for crop failure	310	-	310	-
Setting up of unnamed private pension fund	-	-	239	-
Revenue from agricultural services - prior years' crops	-	-	804	-
Nonrecurring expenses - Acquisition of SC (Note 10.7.1)	(7,194)	-	(7,194)	-
Expenses with Copersucar ICMS proceeding	(3,539)	(11,641)	(3,539)	(11,641)
In-court reorganizations	993	-	993	-
Assignment of right for soil exploration	-	1,313	-	1,313
Gain on sale of clay	-	965	-	965
Right-of-way revenue	-	-	-	604
Payroll contract	-	58	-	58
Other	(1,933)	(375)	(1,638)	(393)
	98,720	2,523	108,005	3,105

28. Financial income (expenses), net

	Company		Consolidated	
	2015	2014	2015	2014
Financial income				
Interest received and accrued	69,251	27,216	80,256	31,368
Bank surety commission	3,314	3,189	3,314	3,189
Other revenues	606	410	1,255	414
	73,171	30,815	84,825	34,971
Financial expenses				
Present value adjustment	(4,281)	(8,462)	(4,299)	(8,462)
Interest on Borrowings	(140,270)	(74,035)	(148,561)	(75,016)
Interest on Borrowings - Copersucar	(9,956)	(7,880)	(10,512)	(7,880)
Interest paid and accrued	(26,738)	(6,362)	(26,764)	(6,365)
Bank surety commission	(21,547)	(1,980)	(22,940)	(1,980)
Monetary restatement of contingencies	(7,730)	(7,194)	(8,839)	(7,194)
Other expenses	(4,938)	(3,177)	(5,224)	(3,184)
	(215,460)	(109,090)	(227,139)	(110,081)
Monetary and foreign exchange variation, net				
Cash and cash equivalents	50,235	26,075	54,123	26,075
Customers and suppliers	24,727	7,207	25,703	7,205
Borrowings	(76,081)	169	(85,246)	171
	(1,119)	33,451	(5,420)	33,451
Derivatives - not designated for hedge accounting				
Gain (loss) on sugar transactions	2,338	(2,057)	2,088	(2,057)
Gain (loss) on ethanol transactions	218	(1,538)	218	(1,538)
Gain (loss) on foreign exchange transactions	528	(6,548)	528	(6,548)
Gains (loss) on swaps	(3,724)	(5,995)	(7,518)	(5,995)
Costs of commoditiesexchange operations	(1,059)	(627)	(1,157)	(627)
Net foreign exchange variation	11,335	3,151	12,013	3,151
	9,636	(13,614)	6,172	(13,614)
Financial income (loss)	(133,772)	(58,438)	(141,562)	(55,273)

29. Earnings per share

	2015	2014
Income for the period attributable to controlling shareholders	286,058	135,001
Weighted average number of common shares for the period - in thousands	112,570	112,243
Basic earnings per share (in reais)	2.5412	1.2028

	2015	2014
Income for the period used to determine diluted earnings per share	286,058	135,001
Weighted average number of common shares for diluted earnings per shares - in thousands (i)	112,860	112,485
Diluted earnings per share (in reais)	2.5346	1.2002

(i) Weighted average includes potentially dilutive call options.

30. Insurance coverage

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover any significant losses on its assets and liabilities. The amounts covered by the current insurance policies at March 31, 2015 are as follows:

Company and Consolidated	
Risks covered	**Maximum coverage (*)**
Civil liability	2,169,887
Fire, lightning and explosion of any nature	1,316,909
Theft or larceny	184,051
Other coverage	214,720
Electrical damages	46,631
Natural phenomena, impact of vehicles or aircraft, among others.	144,000

(*) Corresponds to the maximum coverage amount for the various assets and locations insured.

The vehicle cover, mainly civil liability, is also included above, except for property damage, which has as reference, on average, 100% of the Economic Research Institute (FIPE) table.

In thousands of reais, unless otherwise stated

31. Acquisition and sale of investments - payables and receivables

The balances payable refer to the acquisition of equity investment and are comprised as follows:

	Payables					Receivables				2015
	Balance at 03/31/2014	Additions	Monetary restatement	Payments	Balance at 03/31/2015	Balance at 03/31/2014	Additions	Monetary restatement	Balance at 03/31/2015	Net balance
Santa Cruz - 56.05%	-	(315,861)	(1,461)	34,973	(282,349)	-	-	-	-	(282,349)
Agro Pecuária Boa Vista	-	-	-	-	-	-	195,900	1,017	196,917	196,917
TOTAL with related party - LOP	**-**	**(315,861)**	**(1,461)**	**34,973**	**(282,349)**	**-**	**195,900**	**1,017**	**196,917**	**(85,432)**
Santa Cruz - 3.9%	-	(15,346)	(659)	5,115	(10,890)	-	-	-	-	(10,890)
Mirtilo	10,725	-	1,201	(11,926)	-	-	-	-	-	-
	10,725	**(331,207)**	**(919)**	**28,162**	**(293,239)**	**-**	**195,900**	**1,017**	**196,917**	**(96,322)**

Current liabilities	(17,507)
Noncurrent liabilities	(78,815)
	(96,322)

* * *